



**Office of the Washington State Auditor**

**Pat McCarthy**

## **Financial Statements and Federal Single Audit Report**

### **City of Seattle**

**For the period January 1, 2018 through December 31, 2018**

**Published November 7, 2019**

**Report No. 1025017**





## Office of the Washington State Auditor Pat McCarthy

November 7, 2019

Mayor and City Council  
City of Seattle  
Seattle, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Seattle's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of the City of Seattle are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies*: We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

#### **Federal Awards**

Internal Control over Major Programs:

- *Significant Deficiencies*: We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.558	Child and Adult Care Food Program
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.267	Continuum of Care Program
93.778	Medicaid Cluster – Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$2,544,111.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See finding 2018-001 and 2018-002.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2018-003, 2018-004, 2018-005 and 2018-006.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Seattle January 1, 2018 through December 31, 2018

- 2018-001 The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting of cash and investments.**

#### ***Background***

The Mayor, City Council, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions.

City management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with generally accepted accounting principles (GAAP).

#### ***Description of Condition***

*Government Auditing Standards* requires the auditor to communicate significant deficiencies as a finding. We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

#### **Controls over cash and investments**

##### *Bank accounts*

The City did not provide us with a complete list of all its active bank accounts. Without a complete list, the City cannot ensure accurate tracking and monitoring of all its established bank accounts for financial reporting purposes.

##### *Bank reconciliations*

The purpose of the bank reconciliation is to verify the integrity of the data between bank records and the City's financial records. The bank reconciliation process is designed to compare the City's financial records to bank records, identify differences between the two, and allow the City to adjust financial records as appropriate to ensure accuracy of financial balances.

The City has a high volume of cash transactions occurring monthly. For example, in December 2018, the City had over 6,000 transactions with about \$1.4 billion of cash deposited and credited to its primary accounts. With the City's size and cash

volume, monthly reconciliations are essential to identify any unusual transactions that maybe caused by misappropriation, accounting errors, or bank errors.

The City did not perform complete or accurate monthly bank reconciliations of individual accounts during the 2018 fiscal year. Instead of utilizing their past practice of performing monthly reconciliations the City completed the reconciliation of the entire 2018 fiscal year in early 2019 for each account. This approach prevented timely formal review and the ability to timely detect and correct possible errors or misappropriations. In addition, the reconciliations did not consistently identify the appropriate accounting period of the transactions.

Furthermore, with a cash and investments portfolio of \$2.3 billion, and multiple bank accounts held in several financial institutions and handled by various department custodians, a comprehensive cash reconciliation is necessary to ensure the City reports its cash and investments completely. We found the City did not perform a comprehensive cash reconciliation of all accounts, but rather performed separate reconciliations of categories of cash such as the operating cash, petty cash and change funds, revolving funds, and investments.

#### *Zero Balance bank accounts*

The City did not perform monthly reconciliations for its payroll and voucher funds during the 2018 fiscal year, but rather, at the end of the calendar year.

The City has zero-balance accounts used for its payroll and payables clearing funds. *The Budgeting, Accounting and Reporting System (BARS)* manual requires GAAP entities to perform monthly reconciliations, to identify any unusual transactions that maybe caused by misappropriations, accounting errors or bank errors. .

#### **Reporting of cash and investments**

##### *Custodial funds*

The City did not completely report all money held in a custodial capacity in its financial statements.

Entities reporting under GAAP must report custodial funds in their financial statements.

#### ***Cause of Condition***

City operations are highly decentralized making the process of accounting for and reconciling all financial activity challenging. At the beginning of 2018, the City implemented a new financial system which significantly affected its ability to

conduct timely bank reconciliations. While the City Finance Division is responsible for the final bank reconciliations and financial reporting it must rely on other departments to accurately report transactions and assist in this process. Further, management's standard approach in performing the reconciliations did not include true reconciling items for the period.

In addition, the increased turnover in the City Finance Division and a lack of established processes for several key tasks, including the establishment of new bank accounts and oversight of clearing accounts, also contributed to the errors noted in the audit.

### ***Effect of Condition***

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies, and other interested parties. They also hinder the audit process and increase audit costs. A lack of a timely formal review of bank reconciliations also reduces the opportunity for management to detect and correct possible errors or misappropriations in a timely manner.

We identified the following misstatements during the audit:

- The City overstated its cash by \$5,673,473; the amount reported on the financial statements is higher than amounts confirmed by external bank confirmations. The City could not provide supporting documentation to support the variance.
- The City did not report a total of \$6,869,330 funds held in a custodial capacity by the Seattle City Light, Seattle Police, and Seattle Municipal Courts departments. This amount is separate from the City's overstated cash balance.
- The City Finance Division did not track five City bank accounts. Three of these accounts have funds held in a custodial capacity.

### ***Recommendations***

We recommend the City:

- Dedicate adequate resources for staff to gain the technical knowledge needed to perform adequate bank reconciliations and reconcile City bank statements to financial activity monthly to ensure accurate financial reporting.
- Perform a Citywide comprehensive bank reconciliation to ensure adequate substantiation of cash and investment amounts presented on the financial statements.

- Provide the City Finance Division authority over the accounting and reporting process, including implementation of accounting policies, to ensure financial statements are prepared and reported in accordance with GAAP.
- Establish a policy to ensure the proper establishment of new bank accounts and to ensure accurate tracking and monitoring of all of its established bank accounts for financial reporting purposes.

### ***City of Seattle's Response***

*We thank the State Auditor's (SAO) staff for their assessment and recommendations. We agree with the SAO staff assessment of our capacity to complete monthly reconciliations during the first half of 2018.*

*The City implemented a new financial system in 2018. The new system requires City staff across all departments to use standard chart of account values and comply with standard financial business processes. As SAO staff point out, prior to 2018 the execution of financial transactions was the responsibility of department staff with only partial oversight by the City Finance Division (CFD). The implementation of the new financial system required all City staff in 2018 to adjust to new standards and processes, including CFD staff.*

*We concur that at the start of 2018 the CFD was not fully prepared to execute reconciliations necessary to ensure completely the integrity of financial data on a monthly basis. CFD staff implemented more complete reconciliation processes by mid-year 2018 and share with SAO staff confidence in the City's financial reporting for 2018.*

*In addition, CFD staff have identified specific causes that led to the overstatement described by SAO staff. These causes have to do with accounts receivable processing and interdepartmental billing. CFD staff will implement new streamlined procedures for these areas by the third quarter of 2019.*

*In 2019 the City completes monthly cash reconciliations on a timely basis and continues to look for opportunities to create efficiencies in reconciliation and improvements in presentation along with mastery of the processes by CFD staff. In addition, the City will complete comprehensive cash reconciliations in a manner consistent to what SAO staff recommend. Finally, the City agrees with the recommendation to create a formal policy for the establishment and reconciliation of all bank accounts. This policy is in the final stages of adoption and will govern accounts holding non-City money described by SAO staff as well as accounts for City funds.*

## ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

RCW 43.09.200 Local government accounting – Uniform system accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weakness in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

*Government Accounting Standards* issued Statement No. 84, Fiduciary Activities, in January summarizes the key guidance for identifying fiduciary activities and accounting and financial reporting of the mentioned activities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System (BARS)* manual, 3.1.3, Internal Control, requires each local government to establish and maintain effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

The *Budgeting, Accounting and Reporting System (BARS)* manual, 3.8.6.90, Use of Payroll and Claims Funds, Controls, The distribution of expenditures from the vouchers to the budgetary control records must agree with the totals accumulated in the warrant registers. On a monthly basis, nonrevenues should be compared to warrants or checks issued, nonexpenditures compared to redemptions and the ending balance to outstanding warrants or checks. Any differences should be investigated and resolved. This process should be documented as part of the bank reconciliation.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Seattle January 1, 2018 through December 31, 2018

**2018-002 The City's internal controls over financial statement preparation were not adequate to ensure accurate and timely financial reporting.**

#### ***Background***

City management is responsible for designing, implementing and maintaining internal controls to ensure the City's financial statements, notes and required schedules are prepared and presented fairly in accordance with generally accepted accounting principles (GAAP) and the Governmental Accounting Standards Board (GASB), and provide reasonable assurance regarding the reliability of these statements. In addition, state law (RCW 43.09.230) requires the City to prepare, certify and file its annual report with the State Auditor's Office within 150 days after the close of each fiscal year.

The City also must prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. Title 2 Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires a grantee to identify in its accounts all federal program awards received and spent. The City must report all federal awards expended on the SEFA each fiscal year.

Our audit identified significant deficiencies in the City's internal controls that hinder the City's ability to produce accurate and timely financial statements. *Government Auditing Standards* requires auditors to communicate significant deficiencies, as identified in the Applicable Laws and Regulations section below, as a finding.

#### ***Description of Condition***

We identified the following deficiencies in internal controls over financial preparation that, when taken together, represent a significant deficiency:

- The City's process over financial statement preparation was not adequate to ensure timely and accurate financial reporting.
- The City's process for classifying revenues on the government-wide statement of activities was not adequate to ensure all revenues were properly classified by function.

- The City did not have a process for reconciling business taxes recorded in the general ledger to its subsidiary ledger.
- The City did not have adequate processes in place to ensure it properly reported federal spending on the SEFA.

### ***Cause of Condition***

The City experienced significant turnover in a number of key accounting positions that directly oversee the preparation of the City's annual report. In addition, the City implemented a new software system on January 1, 2018, which significantly affected the City's financial accounting and reporting process.

### ***Effect of Condition***

The City submitted its 2018 annual report to our office 82 days late. Delays in the availability of complete annual financial reports prevent City officials, the public, state and federal agencies, and other interested parties from obtaining timely information. Such delays also hinder the audit process and increase audit costs. In addition, our audit of the City's financial statements identified the following misstatements. The City:

- Overstated total Other Revenues by \$229.1 million for Governmental Activities on the Statement of Activities
- Understated total Charges for Services by \$192.5 million for Governmental Activities on the Statement of Activities. In addition to the total misstatement, eight of nine reporting functions contained misstatements.
- Understated total Operating Grants and Contribution by \$35.1 million for Governmental Activities on the Statement of Activities. In addition to the total misstatement, seven of the nine reporting functions contained misstatements.
- Understated total Capital Grants and Contributions by \$1.6 million for Governmental Activities on the Statement of Activities. In addition to the total misstatement, five of the nine reporting functions contained misstatements.
- Understated the Restricted Fund balance by \$77.2 million for the Transportation fund. The Committed Fund balance was overstated by the same amount.
- Overstated federal expenditures by \$8.8 million for the Medical Assistance Program, CFDA 93.778.

The City corrected these amounts on the final version of the financial statements.

## ***Recommendations***

We recommend the City strengthen its internal controls over financial reporting by preparing accurate and timely information. This includes performing a detailed and effective review of the financial statements, notes, and required supplementary information to ensure accurate reporting. In addition, we recommend the City implement a process to ensure it reconciles all subsidiary ledgers to the general ledger. Finally, we recommend the City submit annual reports to our Office within 150 days of the fiscal year-end, as required by state law.

## ***City's Response***

*We thank the State Auditor's (SAO) staff for their assessment and recommendations. We agree with the SAO staff assessment on the need to strengthen the internal controls over financial reporting.*

*The City has filled key accounting positions and has made significant progress in stabilizing the new financial system. The new Accounting Director and new Financial Reporting Manager have already begun working on the 2019 closing schedule to achieve a tighter, more timely, financial close and will develop a program of more frequent financial review and training of decentralized accounting personnel to ensure processes are understood and corrections are made timely. The new leadership will also develop procedures for reconciliation of business taxes and will revise the process for classifying revenues on the government-wide statement of activities to ensure all revenues are properly classified by function. The City expects to achieve significant improvements in the timeliness and accuracy of financial reporting and will comply with submittal deadlines outlined in state law.*

## ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing

Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Title 2 *U.S Code of Federal Regulations* (CFR) Part 200.502 *Determining Federal awards expended*, provides the basis for determine when federal award expended.

RCW 43.09.230 Local government accounting—Annual reports—Comparative statistics. The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class. Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

**2018-003      The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements.**

<b>CFDA Number and Title:</b>	14.218 Community Development Block Grants/Entitlement Grants 14.239 Home Investment Partnerships Program
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development (HUD)
<b>Federal Award/Contract Number:</b>	B10MC530005, B14MC530005, B15MC530005, B16MC530005, B17MC530005, B18MC530005, M15MC530200, M16MC530200, M17MC530200, M18MC530200
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

### *Description of Condition*

The City spent \$8,226,527 in Community Development Block Grants/Entitlement Grants (CDBG) funds and \$3,566,890 in Home Investment Partnerships Program (HOME) funds in 2018. The primary objective of these grants is to help provide decent and affordable housing particularly for persons of moderate, low and very low income. Funds also help in implementing strategies for achieving an adequate supply of decent housing and providing a suitable living environment and expanded economic opportunities for low-income persons.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Our audit included a review of internal controls over reporting for the CDBG and HOME grants. The City must submit to the grantor a HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, for both the CDBG and HOME grants. Recipients subject to Section 3 requirements must keep appropriate records to show they directed HUD financial assistance for housing and community development programs toward low and very low-income persons and support the information reported to the grantor.

We found the City did not submit the Section 3 report for the HOME grant for fiscal year 2018. We also found that the Section 3 report submitted for the CDBG grant incorrectly referenced source documents and figures applicable to the HOME grant.

We consider this deficiency in internal controls to be a material weakness.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The City did not have a process in place to ensure it submitted Section 3 reports for both grants and that all data reported was accurate. Further, the City did not know it needed to submit a separate Section 3 report for each HUD grant.

### ***Effect of Condition***

HUD uses the summary report to assess if the City complied with Section 3 requirements. Because the City did not provide the required information, HUD could not assess the City's compliance. Failure to comply with the requirements of Section 3 may result in sanctions, debarment, suspension, or limited denial of participation in HUD programs under program regulations.

### ***Recommendation***

We recommend the City establish and follow internal controls to ensure required reports are accurate, reviewed and submitted for each grant. Internal controls may include, but are not limited to, procedures or checklists, monitoring, and training.

### ***City's Response***

*Human Services Department (HSD) has adjusted its procedures to explicitly identify the funding source of each project and each Section 3 job in its tracking materials.*

## ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, section 303, Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 24 CFR Part 135 *Economic Opportunities for Low- And Very Low-Income Persons*, section 90 – Reporting - Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

**2018-004    The City did not have adequate internal controls to ensure compliance with federal cost principle requirements.**

<b>CFDA Number and Title:</b>	14.218 Community Development Block Grants/Entitlement Grants
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	B10MC530005, B14MC530005, B15MC530005, B16MC530005, B17MC530005, B18MC530005
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$365,694

### *Description of Condition*

The City spent \$8,226,526 in Community Development Block Grants/Entitlement Grants (CDBG) funds in 2018. The grant's primary objective is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

Federal regulations require recipients to establish and maintain internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

The City may use grant funds for its program administrative costs. Federal regulations state that expenditures must be supported by a system of internal controls, which provide reasonable assurance that the charges are accurate, allowable, and properly allocated. Records must support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award. The City must base charges to federal awards for salaries and wages on records that accurately reflect the work

performed. Budget estimates alone do not qualify as support for charges to federal awards.

The City did not have adequate internal controls to ensure it based all salary or wage expenditures charged to the federal award on records that accurately reflected the work performed. We found that employees in the City's Office of Housing distributed their salaries and wages to various funding sources based on budgeted revenues. Salary and wage payments charged to CDBG did not reflect actual time worked in the program.

We determined this deficiency in internal controls to be a significant deficiency.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The City did not know that charging salaries or wages to the grant based on budgeted revenues was not allowable.

### ***Effect of Condition and Questioned Costs***

The federal government reimbursed the City for salary and wage payments allocated to the program based on budgeted revenues totaling \$365,694 during the audit period. The City had no additional documentation to show the actual time employees worked in the program. Therefore, we questioned these costs, which can be subject to repayment to the grantor.

### ***Recommendation***

We recommend the City establish internal controls to ensure salary or wage expenditures charged to the federal award are supported by records that accurately reflect the work performed in the program.

### ***City's Response***

*We acknowledge that this is an issue and have determined that it is specific to the one department identified. Work has begun to implement a timesheet system to track actual effort against each grant activity and should be fully operational and compliant with the requirements in 2020.*

### ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, section 303, Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, section 430, Compensation – personal services, section (h)(8)(i), Standards for Documentation of Personnel Expenses, (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

**2018-005      The City did not have adequate internal controls in place to ensure compliance with federal program income requirements.**

<b>CFDA Number and Title:</b>	14.239 Home Investment Partnerships Program
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	M15MC530220, M16MC530220, M17MC530220, M18MC530200
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

### *Description of Condition*

The City spent \$3,566,890 in Home Investment Partnerships Program (HOME) award funds in 2018. The grant's primary objectives are to expand the supply of decent and affordable housing, particularly housing for low- and very low-income persons; design and implement strategies for achieving an adequate supply of decent, affordable housing; and develop model programs for affordable low-income housing.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

The City receives program income as payments of principal and interest on loans made to borrowers using HOME funds. The City uses program income to pay for, or reduce program-related costs before seeking federal reimbursement.

The City had a process in place to enter program income payment transactions into the City's accounting system. However, the process was not effective in ensuring it properly identified and tracked program income related to the HOME program.

We consider this deficiency in internal controls to be a significant deficiency.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The City did not adequately monitor if program income revenues were coded correctly in the general ledger and identified as related to the HOME program.

### ***Effect of Condition***

Because it did not identify and track program income accurately, the City cannot ensure it used revenue to reduce the federal funds committed to the program before seeking reimbursement from the federal agency. Our audit found the City identified income from another revenue source as program income, and identified actual program income as a different revenue source.

The amount requested from a federal agency should be net of program income earned so that the City does not obtain more federal funding than it needs to meet the program's immediate needs.

### ***Recommendation***

We recommend the City improve its procedures over identifying and tracking program income to ensure it uses program income before submitting costs to the grantor for reimbursement. One way to achieve that might be to implement monitoring or a secondary review.

### ***City's Response***

*We acknowledge the miscoding of HOME program income. We will explore ways to add another layer of coding review to prevent similar errors in the future. Regarding the WSHFC checks, we have identified the need to train all Office of Housing (OH) staff in financial procedures – particularly those who handle checks but are outside of the OH Finance unit, as in this case – to ensure consistent adherence to grant and City policies.*

### ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, section 303, Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, section 307 (e)(1), Program Income establishes the requirements for the use of program income.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

**2018-006    The City did not have adequate internal controls in place to ensure compliance with federal period of performance requirements.**

<b>CFDA Number and Title:</b>	14.239 Home Investment Partnerships Program
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	M15MC530220, M16MC530220, M17MC530220, M18MC530200
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$196,297

### *Description of Condition*

The City spent \$3,566,890 in Home Investment Partnerships Program (HOME) award funds in 2018. The primary objectives of this grant are to expand the supply of decent and affordable housing, particularly housing for low- and very low-income persons; design and implement strategies for achieving an adequate supply of decent, affordable housing; and develop model programs for affordable low-income housing.

Federal regulations require recipients to establish and maintain internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

HUD awarded the fiscal year 2018 HOME grant on October 3, 2018. Generally, any pre-award cost must have prior written approval from the federal awarding agency. However, the Department of Housing and Urban Development (HUD) waived that requirement and allows incurrence of administrative and planning pre-award costs only if and when the City completes the following documentation in its local files:

- The costs incurred before the grant is awarded are needed for efficient and timely performance of the activity in question.
- The costs are for eligible activities under the regulations for the applicable funding program.
- The City complied with all other requirements for pre-award costs under the regulations for the applicable funding program or as described.
- The City includes the activity for which costs will be incurred in a consolidated plan/action plan.
- The City includes in its files a written, dated summary of citizen participation comments received on its plan under the federal requirements, as applicable.

We found the City did not comply with all requirements to charge pre-award costs to the program. The City did not document that the costs incurred before HUD awarded the grant were necessary for efficient and timely performance of the activity in question.

We consider this deficiency in internal controls to be a significant deficiency.

We did not report this issue as a finding in the prior audit.

### ***Cause of Condition***

The HOME grant is administered by two City departments: the Office of Housing and the Human Services Department. The City did not have designated personnel to monitor period of performance for HOME grant allocations between the two departments and communicate the performance period or HUD's pre-award cost waiver requirements to key personnel responsible for charging grant expenditures.

### ***Effect of Condition and Questioned Costs***

The City charged pre-award costs of \$196,297 to the program without meeting HUD's pre-award cost waiver requirements. Therefore, the administrative and planning costs charged to the award up until HUD awarded the funds are unallowable and we are questioning them.

## ***Recommendation***

We recommend the City establish and follow internal controls to ensure compliance with period of performance requirements. Internal controls may include, but are not limited to, written policies or procedures outlining processes and control activities for costs coded to federal awards, ensuring such costs are applied within the performance period, assigning responsibility, monitoring, and training. We further recommend the City consult with the grantor to determine whether the questioned costs in the audit should be repaid.

## ***City's Response***

*This issue relates to pre-award spending, which details the requirements for implementing 2 CFR 200.458 for the 2018 grant. Pre-award costs are necessary because the Federal Government has been unable to appropriate HOME funds in a timely manner. CPD-18-01 issues a waiver of HOME regulations to allow for pre-award costs because of delayed enactment of FY 2018 appropriations. While the need for this waiver was clear, that need was not explicitly documented per the requirements. Federal Grants Management team will put in place a process to ensure that all waiver requirements for pre-award spending are compliant with HUD's requirements, should the Federal government continue to experience delay in appropriating funds.*

## ***Auditor's Remarks***

We thank the City for its response and consideration in this matter and will review the corrective action during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, section 303, Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, section 458, Pre-award costs, establishes the requirement that pre-award costs are only allowable with prior written approval from the federal

awarding agency. U.S. Department of Housing and Urban Development Notice: CPD-18-01 -Guidance on Submitting Consolidated Plans and Annual Action Plans for Fiscal Year (FY) 2018, Section V. Pre-award costs: To minimize additional workload on grantees and HUD field offices, this Notice establishes the following procedures implementing the 2 CFR 200.458 requirements cited above. This Notice provides HUD approval to incur pre-award costs if and when the grantee completes the following documentation in its local files:

1. The grantee documents that the costs incurred prior to grant award are necessary for efficient and timely performance of the activity in question.
2. The grantee documents that the costs are for eligible activities under the regulations for the applicable funding program;
3. The grantee documents that the grantee has complied with all other requirements for pre-award costs under the regulations for the applicable funding program or as described below;
4. The activity for which costs will be incurred is included in a consolidated plan/action plan;
5. The grantee documents completion of its citizen participation process by including in its files a written, dated summary of citizen participation comments received on its plan, pursuant to 24 CFR 91.105(b)(5) or 91.115(b)(5) as applicable.

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2017 through December 31, 2017	<b>Report Ref. No.:</b> 1022321	<b>Finding Ref. No.:</b> 2017-001	<b>CFDA Number(s):</b> 14.218
<b>Federal Program Name and Granting Agency:</b> Community Development Block Grants/Entitlement Grants, U.S. Department of Housing and Urban Development	<b>Pass-Through Agency Name:</b> NA		
<b>Finding Caption:</b>  The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements of the Community Development Block Grant.			
<b>Background:</b>  To comply with the reporting requirements for this grant the City must submit financial and performance reports to the Department of Housing and Urban Development. The SF-425 Federal Financial Report (FFR) is one of the required financial reports. During our audit we found that the City's Human Service Department did not have controls in place to ensure it prepared and submitted the quarterly FFRs. As a result, the City did not submit any FFRs for 2017.			
<b>Status of Corrective Action: (check one)</b>  <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action:</b>  <i>The SF-425 Federal Financial Report (FFR) reporting due dates have been added to the Federal Grants Management Unit's SharePoint calendar with alerts for the Federal Grants Manager (who has management responsibility) and the Sr. Finance Analyst (who has report collation/creation responsibility). These alerts are issued at the end of each reporting period, giving 30 days' notice prior to submission. Reports have been filed on time for 2018.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**City of Seattle  
January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of Seattle  
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Light, Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those funds and the Seattle City Employees' Retirement System.

The prior year comparative information has been derived from the City's 2017 basic financial statements, on which we issued our report dated September 25, 2018.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we, and the other auditors of the Light fund, did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Findings 2018-001 and 2018-002, that we consider to be significant deficiencies.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

October 28, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Seattle  
January 1, 2018 through December 31, 2018**

Mayor and City Council

City of Seattle

Seattle, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Seattle, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-003, 2018-004 and 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

### **City's Response to Findings**

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not

for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-004, 2018-005 and 2018-006 to be significant deficiencies.

## **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

October 28, 2019

## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

### **City of Seattle January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of Seattle  
Seattle, Washington

#### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 40.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The Light, Water, Drainage and Wastewater, and Solid Waste funds, which are major funds that collectively represent 99 percent, 97 percent and 98 percent, respectively, of the assets, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 60 percent, 69 percent, and 15 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light,

Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Report on Summarized Comparative Information***

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2017, from which such partial information was derived.

We and other auditors have previously audited the City's 2017 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information in our report dated September 25, 2018.

In our opinion, the summarized comparative information for the governmental activities and governmental funds presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 28, 2019

## **FINANCIAL SECTION**

**City of Seattle  
January 1, 2018 through December 31, 2018**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2018

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet - Governmental Funds – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to Financial Statements – 2018

### **REQUIRED SUPPLEMENTARY INFORMATION**

Notes to Required Supplementary Information – Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – 2018

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2018

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Transportation Fund – 2018

Notes to Required Supplementary Information – Pension and OPEB Plan Information – 2018

Pension Plan Information – Schedule of Changes in Total Pension Liability and Related Ratios – Police Relief and Pension Fund, Firefighters' Pension Fund – 2018

Pension Plan Information – Schedule of Proportionate Share of Net Pension Liability –  
Seattle City Employees’ Retirement System, Law Enforcement Officers’ and Fire  
Fighters’ Retirement System Plan 1, Law Enforcement Officers’ and Fire Fighters’  
Retirement System Plan 2 – 2018

Pension Plan Information – Schedule of Employer Contributions – Seattle City  
Employees’ Retirement System, Law Enforcement Officers’ and Fire Fighters’  
Retirement System Plan 1, Law Enforcement Officers’ and Fire Fighters’ Retirement  
System Plan 2 – 2018

OPEB Information – Schedule of Changes in Total OPEB Liability and Related Ratios –  
City of Seattle Health Care Blended Premium Subsidy Plan, City of Seattle Retiree  
Medical and Long-Term Care Benefits for LEOFF 1 Fire Employees, City of Seattle  
Retiree Medical and Long-Term Care Benefits for LEOFF 1 and Escalator  
Employees – 2018

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (the City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2018. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with additional information provided in its letter of transmittal and the City's basic financial statements and accompanying notes to the financial statements following this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Seattle's basic financial statements which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also includes supplementary information intended to furnish additional details to support the basic financial statements.

### Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to that of private-sector business. They are presented on the accrual basis of accounting where revenues and expenditures are recognized on the date they occur rather than on the date they are collected or paid. The statements provide near-term and long-term information about the City's financial position, which assists in assessing the City's financial condition at the end of the fiscal year.

The Statement of Net Position presents information on all City assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents changes in net position during the current reporting period. All changes to net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some reported revenues and expenses result in cash flows in future periods. Examples are uncollected taxes and earned but unused compensated absences.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental functions of the City include general government activities, judicial activities, public safety, physical environment, transportation, economic environment, health and human services, and culture and recreation. The business-type activities of the City include an electric utility, a water utility, a waste disposal utility, a sewer and drainage utility, operations of regulatory and long-range planning and enforcement of policies and codes that include construction and land use, fiber leasing, and parking facilities.

### Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and use of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Most of the City's basic services are reported in the governmental funds.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). Information for the two major governmental funds is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances; information for the nonmajor funds is presented in the aggregate. The City's major governmental funds are the General Fund and Transportation Fund. Individual fund data for each of the nonmajor governmental funds is provided as supplementary information in the form of combining statements in the governmental funds section.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, including the addition of cash flow statements. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting.

The City maintains the following two types of proprietary funds:

- Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Seattle City Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are considered to be major enterprise funds. Information for nonmajor enterprise funds is presented in the aggregate. Information for each of the nonmajor enterprise funds is provided in the combining statements in this report.
- Internal service funds report activities that provide supplies and services for various City programs and activities. The City uses internal service funds to account for its finance and administrative services and information technology services. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. At the fund level, because of their business-type nature, all the internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Individual fund data for each of the internal service funds is provided as supplementary information in the form of combining statements in this report.

Proprietary fund statements follow the governmental fund statements in this report.

Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary funds include the Employees' Retirement Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

### **Notes to the Financial Statements**

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on 1) budget to actual comparisons for major governmental funds, 2) the current funding progress for pensions, and 3) the current funding progress for other postemployment benefits. The required supplementary information immediately follows the notes to the financial statements.

## Combining Statements

The combining statements referred to earlier in connection with the nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

## Statistical Information

The statistical section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and the required supplementary information with the goal of providing the user with a better understanding of the City's economic condition.

## FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2018 the City's net position totaled \$5.7 billion, with governmental activities accounting for 55.7 percent and business-type activities 44.3 percent. Compared to 2017, the City's net position had a slight decrease in 2018, approximately by \$13.0 million and 0.2 percent.
- Net investment in capital assets grew 3.5 percent, increasing \$199.6 million, to a total reported balance of \$5.8 billion for 2018. Of these assets the City's governmental activities reported \$3.4 billion, with the remaining \$2.5 billion supporting business-type activities. The increase was due to the new acquisitions of capital assets in 2018.
- Restricted net position of \$954.1 million is available to meet the City's ongoing obligations to citizens and creditors. Compared to 2017, governmental activities accounted for 98.5 percent of the \$174.0 million increase in the restricted balances in 2018. The City restricted significant resources for capital projects, low-income, transportation, health care and education programs, debt services and other purposes.
- The City's non-current liabilities account for 89.7 percent of all liabilities recorded. During 2018 these liabilities increased \$352.9 million, 4.6 percent from 2017. This increase was primarily due to the \$456.2 million increase of OPEB liabilities as a result of implementing GASB Statement No. 75 in 2018.
- The City's governmental funds reported a combined ending fund balance of \$1.2 billion for 2018, a slight increase from the prior year's restated fund balance of \$1.1 billion. Of the total fund balance, 10.2 percent is reported as unassigned balance, totaling \$119.0 million for year-end 2018. The General Fund contributes \$152.4 million to unassigned fund balance which was then offset by the transportation fund and other governmental funds reporting a combined deficit of \$33.4 million in unassigned fund balances that offset the total across the City's governmental funds.
- Revenue generated by the City's governmental funds totaled \$2.4 billion for the fiscal year ended December 31, 2018, an increase of approximately \$185.7 million, or 8.4 percent from the prior year's balance of \$2.2 billion. The increase is primarily driven by \$90.0 million of additional tax collections in 2018.
- Expenditures in governmental funds amounted to \$2.4 billion, an increase of approximately \$250.3 million, or 11.5 percent, compared to \$2.2 billion in 2017. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$38.8 million. The City's General Fund reported a deficiency of revenues over expenditures totaling \$6.8 million while while the other major and nonmajor governmental funds reported a deficiency of revenues over expenditures totaling \$32.0 million.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed statement of net position for the City.

## Condensed Statement of Net Position

**Table A-1**

### **CONDENSED STATEMENT OF NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>						
Current and Other Assets	\$ 1,805,210	\$ 1,601,692	\$ 2,123,133	\$ 1,980,443	\$ 3,928,343	\$ 3,582,135
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	4,411,510	4,389,411	6,530,860	6,158,882	10,942,370	10,548,293
Total Assets	6,216,720	5,991,103	8,653,993	8,139,325	14,870,713	14,130,428
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	149,186	186,218	97,240	156,605	246,426	342,823
<b>LIABILITIES</b>						
Current Liabilities	427,154	369,099	490,511	431,972	917,665	801,071
Noncurrent Liabilities	2,584,758	2,265,286	5,436,724	5,403,343	8,021,482	7,668,629
Total Liabilities	3,011,912	2,634,385	5,927,235	5,835,315	8,939,147	8,469,700
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	165,642	49,299	287,108	215,998	452,750	265,297
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,382,301	3,365,060	2,462,768	2,280,370	5,845,069	5,645,430
Restricted	865,915	694,502	88,151	85,527	954,066	780,029
Unrestricted	(1,059,864)	(565,925)	(14,029)	(121,280)	(1,073,893)	(687,205)
Total Net Position	\$ 3,188,352	\$ 3,493,637	\$ 2,536,890	\$ 2,244,617	\$ 5,725,242	\$ 5,738,254

The City reported a total net position \$5.7 billion at December 31, 2018. Compared to 2017, the City's net position had a slight decrease in 2018, approximately by \$13.0 million or 0.2 percent. The City's financial position as a whole was consistent year over year. In 2018, total net position for governmental activities decreased by \$305.3 million while total net position for business-activities increased by \$292.3 million. The decrease in net position for governmental activities was primarily due to the increase in OPEB liabilities as a result of the implementation of GASB Statement No. 75 in 2018, approximately a \$455.5 million. The implementation of GASB 75 had much less impact on business-type activities. The increase in net position for business-type activities was due to results of operations in 2018. Business-type activities reported changes in net position of \$293.6 million. See the analysis of changes in net position below.

As a result of the implementation of GASB 75 in 2018, the City's OPEB liabilities increased \$456.2 million, which was reflected in the \$996.6 million deficit reported under the City's unrestricted net position. This deficit will require future resources to meet the government's obligation to citizens and creditors. The increase of OPEB liabilities was also primary reason for the increase in the total liabilities and deferred inflows of resources, \$469.4 million and \$187.5 million, respectively. For governmental activities, total liabilities increased by \$377.5 million in 2018. The overall increase was the net change of increase in OPEB liabilities of \$455.5 million and decrease in net position liabilities of \$122.7 million in 2018. For business-type activities, the total liabilities increased by \$91.9 million. The increase was primarily due to the net change of revenue bonds. In 2018, \$148.0 million revenue bonds, net of premiums and discounts were issued while \$81.9 million revenue bonds were paid back. Additionally, there was an increase in claims payable of \$46.0 million, primarily from environmental liabilities.

The net investment in capital assets increased by \$199.6 million in 2018. This increase was due to the new capital assets additions, less any related debt used to acquire those assets. Compared to 2017, the capital assets net of accumulated depreciation went up by \$394.1 million. Please refer to Capital Assets section in MD&A below for the analysis of capital assets year over year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other funding sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$954.1 million, or 16.7 percent, represents resources that are subject to external restrictions on how they may be used. Compared to 2017, the restricted net position increased by \$174.0 million in 2018, which was primarily due to Low-income Housing Fund, Health Care Reserve Fund, and Transportation Fund (governmental activities).

# The City of Seattle

Low-income Housing Fund reported a net position/fund balance of \$234.9 million in 2018, an increase of \$54.9 million from \$178.0 million in 2017. Health Care Reserve Fund reported a net position/fund balance of \$77.2 million in 2018, an increase \$33.2 million from \$43.9 million in 2017. As a result of re-evaluation of the Move Seattle Levy with Transportation Fund, the City has determined to classify the fund balance related to the Move Seattle Levy to be a restricted fund balance in 2018 and thus, the restricted fund balance/net position increased by \$77.3 million. The increase in restricted net position for business-type was \$2.6 million. This was due to customer charges in advance reported by SPU. In 2018, SPU reported \$47.9 million restricted net position due to other charges while \$45.2 million was reported in 2017.

Total current and other assets increased by \$346.2 million in 2018, which primarily consisted of an increase in cash and equity in pooled investments of \$130.7 million, in receivables, net of \$40.6 million, in due from other governments of \$63.9 million, in net pension asset of \$67.9 million, and in environmental costs and recoveries of \$32.3 million. These increases were primarily due to results of the operations in 2018. In 2018, the City reported changes in net position of \$573.1 million. See the analysis of changes in net position below.

**Table A-2**

**CHANGES IN NET POSITION RESULTING FROM  
CHANGES IN REVENUES AND EXPENSES  
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 468,704	\$ 389,814	\$ 1,965,380	\$ 1,922,513	\$ 2,434,084	\$ 2,312,327
Operating Grants and Contributions	152,736	130,777	10,616	1,832	163,352	132,609
Capital Grants and Contributions	15,547	36,161	90,351	70,020	105,898	106,181
General Revenues						
Property Taxes	597,349	582,622	—	—	597,349	582,622
Sales Taxes	306,587	280,963	—	—	306,587	280,963
Business Taxes	539,045	516,881	—	—	539,045	516,881
Excise Taxes	106,861	115,674	—	—	106,861	115,674
Other Revenues	45,755	48,004	45,902	17,963	91,657	65,967
Total Revenues	2,232,584	2,100,896	2,112,249	2,012,328	4,344,833	4,113,224
<b>Expenses</b>						
Governmental Activities						
General Government	173,424	222,089	—	—	173,424	222,089
Judicial	31,666	32,075	—	—	31,666	32,075
Public Safety	678,857	577,738	—	—	678,857	577,738
Physical Environment	12,932	15,539	—	—	12,932	15,539
Transportation	307,433	384,724	—	—	307,433	384,724
Economic Environment	251,711	147,005	—	—	251,711	147,005
Health and Human Services	138,252	119,463	—	—	138,252	119,463
Culture and Recreation	311,875	364,425	—	—	311,875	364,425
Interest on Long-Term Debt	46,915	47,777	—	—	46,915	47,777
Business-Type Activities						
Light	—	—	891,783	914,785	891,783	914,785
Water	—	—	241,847	235,142	241,847	235,142
Drainage and Wastewater	—	—	379,919	363,682	379,919	363,682
Solid Waste	—	—	201,387	192,062	201,387	192,062
Planning and Development	—	—	62,994	72,914	62,994	72,914
Downtown Parking Garage	—	—	—	—	—	—
Fiber Leasing	—	—	—	36	—	36
Total Expenses	1,953,065	1,910,835	1,777,930	1,778,621	3,730,995	3,689,456
Excess Before Special Item and Transfers	279,519	190,061	334,319	233,707	613,838	423,768
Special Item - Environmental Remediation	—	—	(40,700)	(9,619)	(40,700)	(9,619)
Transfers	—	(5,317)	—	6,321	—	1,004
Changes in Net Position	279,519	184,744	293,619	230,409	573,138	415,153
Net Position - Beginning of Year	3,493,637	3,502,669	2,244,617	2,014,208	5,738,254	5,516,877
Restatements/Prior-Year Adjustments	(584,804)	(193,776)	(1,346)	—	(586,150)	(193,776)
Net Position - Beginning of Year as Restated	2,908,833	3,308,893	2,243,271	2,014,208	5,152,104	5,323,101
Net Position - End of Year	<b>\$ 3,188,352</b>	<b>\$ 3,493,637</b>	<b>\$ 2,536,890</b>	<b>\$ 2,244,617</b>	<b>\$ 5,725,242</b>	<b>\$ 5,738,254</b>

## Analysis of Changes in Net Position

In 2018, the changes in net position increased by \$158.0 million, or 38.1 percent. The factors contributing to the increase are explained in the following discussion of governmental and business-type activities.

**Governmental Activities.** The City's revenues for governmental activities were up 6.3 percent, increased \$131.7 million in 2018. The increase in revenues was due to the increase in general revenues of \$80.2 million and the increase in program revenue of \$51.5 million. The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales, business, and excise taxes contributing 84.9 percent of total general revenue and 69.4 percent of the governmental activities general and program revenue combined.

The following table lists the tax revenues ranked by the amount reported in 2018 and the change in each tax revenue from 2017.

2018 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$597.3	2.5%	\$14.7
2	Business Taxes	\$539.0	4.3%	\$22.2
3	Sales Taxes	\$306.6	9.1%	\$25.6
4	Excise Taxes	\$106.9	(7.6)%	\$(8.8)

The increase in property taxes was due to the increase in the assessed value of property. Based on statistical information provided by King County, total assessed value for real property and personal property was \$214.1 billion in 2018 compared to \$186.3 billion in 2017.

The City's business taxes include general business taxes and utilities related business taxes, contributing approximately 50 percent and 50 percent of total business taxes respectively. The increase in business taxes in 2018 was the direct results of the increases in tax rates and total reported business revenues. The average increase in the business tax rates was 0.9 percent. The utilities related business taxes consist of 50 percent of total City's business tax and there was an increase in charges for services reported by business-type activities, approximately \$36.5 million and 1.9 percent in 2018.

The year over year growth in sales tax was 9.1 percent, or \$25.6 million, and contributed 26.3 percent of the total revenue growth in governmental activities. The continuing driver behind the General Fund's sales tax growth is the local construction boom.

Excise tax went down by \$8.8 million and 7.6 percent in 2018, caused primarily by the decrease in real estate sales during 2018.

Program revenues supporting the City's governmental activities were \$637.0 million, or 32.6 percent of the the City's expenses for governmental activities. The City's charges for services are the largest component of reported program revenues, and comprise 73.6 percent of program revenue generated by governmental activities and 21.0 percent of total revenues. The total charges for services reported in 2018 was \$468.7 million, an increase of \$42.9 million compared to 2017. This increase was primarily attributable to the increase in service charges by Seattle Department of Transportation, approximately \$40.4 million.

Total expenses for governmental activities were up 2.2 percent, totaling \$42.2 million in 2018. The following table lists the top 5 functions and programs ranked by the size of their 2018 expenses, and highlights the growth in costs between the 2017 and 2018 financial statements.

2018 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$678.9	17.5%	\$101.1
2	Culture and Recreation	\$311.9	(14.4)%	\$(52.6)
3	Transportation	\$307.4	(20.1)%	\$(77.3)
4	Economic Environment	\$251.7	71.2%	\$104.7
5	General Government	\$173.4	(21.9)%	\$(48.7)

The City's largest governmental expense continues to be the public safety function, totaling \$678.9 million for 2018, contributing 18.2 percent of all citywide expenses, and 34.9 percent of expense in the City's governmental activities. The year-over-year changes reflected the changes in operations of City's various programs.

The changes in net position for governmental activities increased by 51.3 percent, totaling \$94.8 million. The financial position improved for governmental activities in 2018.

**Business-Type Activities.** The change in net position for business-type activities was \$94.8 million, an increase of 41.1 percent in 2018. This included the consolidation from internal service funds, \$16.9 million. Key factors for the change are described below:

The City Light realized a \$162.2 million change in net position for 2018, an increase of \$41.8 million or 34.0 percent from 2017. Higher retail electric sales attributable to rate increases, including the 1.5 percent Rate Stabilization Account surcharge, capital contributions, and interest earnings netted with lower unbilled revenue and net short-term wholesale power revenues contributed to the higher revenue. Lower expenses for long-term purchased power, administrative and general expenses, and taxes also added to the higher change in net position in 2018. Operating revenues at City Light was \$991.6 million, gaining 0.2 percent year over year. Retail power revenues were \$868.6 million in 2018, approximately 87.6 percent of total revenue at City Light. Retail power revenues were higher due to the 5.6 percent system rate increase effective January 1, 2018, and the 1.5 percent rate surcharge, in effect since August 1, 2016. Consumption was lower by 1.1 percent for residential customers and by 0.7 percent for non-residential customers due in part of the warmer weather during the last two months of the year. Energy conservation and newly constructed energy efficient buildings also contributed to the lower consumption. Compared to 2017, unbilled revenue was lower this fiscal year. Operating expenses total \$823.2 million, a decrease of \$29.3 million or 3.4 percent from 2017. The decrease in operating expenses were primarily due to long-term purchased power - Bonneville, which decreased \$7.0 million in 2018, and a decrease in non-power operating expenses of \$24.3 million from 2017. Bonneville costs decreased largely because of shifting to purchase only Block power effective October 2017, which reduced more expensive Slice power purchases. A final Bonneville Slice true-up credit also added to the lower Bonneville costs. In 2018, City Light was able to cut its administrative and general costs by \$32.5 million, which caused the decrease of non-operating expenses.

The Water Utility realized a \$82.0 million change in net position for 2018, an increase of 60.2 percent from 2017. Operating revenues increased approximately \$19.4 million or 7.4 percent over 2017. This change was driven by increase in direct service revenue of \$1.2 million, wholesale revenue of \$14.4 million mainly resulting from \$12 million contract transition payment received, a rate increase for 2018 and other operating revenue of \$3.8 million. Operating expenses increased \$8.7 million or 4.3 percent from 2017. Notable factors affecting this change include increases of \$1.0 million in supplies, \$3.7 million in services, \$4.7 million in inter-governmental payments for taxes, as a result of increased sales and litigation settlements, and \$3.8 million in depreciation and amortization expenses. These increases were offset by a decrease of \$5.4 million in other operating expenses. Other expenses, net of other revenues decreased by \$11.5 million or 36.0 percent over 2017. The change was primarily due to increases in other non-operating revenue of \$9.9 million of which \$7.7 million increase is in other judgments and settlements and investment income of \$0.9 million. These increases were offset by a decrease in interest and debt service expenses of \$1.4 million. Capital fees, contributions and grants increased by \$8.7 million or 39.3 percent over 2017 primarily due to increases in capital contributions of \$13.4 million mainly as a result of \$16 million from the bored tunnel litigation settlement discussed previously. This increase was offset by decrease of \$7.5 million in federal grants and \$1.6 million in interlocal grants.

The Drainage and Waste Water Utility realized a \$16.2 million change in net position for 2018, a decrease of 47.2 percent from \$30.7 million in 2017. The primary reason for the decrease was environmental remediation expenses of \$40.7 million accrued in 2018 compared to \$9.6 million in 2017. This increase in environmental remediation expense was due to additional estimated costs for remediation management and construction. Current year operating revenues increased \$19.6 million or 4.9 percent from 2017. This is due to average rate increases of 3.9 percent for wastewater and 10.7 percent for drainage, resulting in additional revenues of \$5.8 million and \$14.2 million, respectively. Operating expenses increased \$10.9 million or 3.2 percent from 2017. The largest operating expense increase was related to City and state business occupation tax of \$7.4 million as a result of the overall increase in taxable revenues. Depreciation and other amortization also increased \$5.1 million as a result of an increase in depreciable assets. These increases were offset by a decrease in salaries, wages and personnel benefits of \$2.8 million. Nonoperating revenues/(expenses) decreased by \$7.9 million or -51.5 percent as compared to 2017. This decrease in net expenses is due to a \$5.5 million increase in contributions and grants, a \$3.9 million increase in investment income. These increases in revenue were offset by an increase in interest expense of \$1.4 million.

The Solid Waste Utility realized a \$5.0 million change in net position for 2018, a decrease of 58.3 percent from \$11.9 million in 2017. The primary reasons for the decrease in 2018 was due to the decrease in current year revenue and operating expenses. Operating revenue decreased \$4.0 million or 1.9 percent compared to 2017. Although there was an approximately 1.9 percent rate increase effective April 1, 2018, which resulted in service revenue gains of \$8.6 million, the Solid Waste Utility experienced a \$3.3 million decrease in revenues from fluctuations in pricing of recycling commodities and \$10.2 million in excess revenue was set aside in the Rate Stabilization Account to provide revenue in future years.

Seattle City Council enacted legislation in 2012 (ordinance 124056) allowing the Solid Waste to make contributions to a Rate Stabilization Account if the balance of operating cash on hand at year-end met certain targets. The deposits are limited to cash and revenues that are not required to meet financial policy targets with respect to debt service coverage, net income, or cash-financed capital expenditures. The Solid Waste may withdraw revenues from the Fund's Rate Stabilization Account provided that: such a withdrawal will allow the Fund to meet one or more financial policy targets that it would not have otherwise met in the absence of such a withdrawal; or to reduce the size of any adjustment to 2017 or 2018 solid waste rates, if such a reduction to the rates would not jeopardize the ability to meet operating cash balances specified in the legislation and the financial policy targets for debt service coverage, net income, and cash-financed capital projects. At year end of 2018, net income, cash balances and debt service targets exceeded the Solid Waste's financial policies. As such, \$10.2 million of revenue was deferred and deposited into the Rate Stabilization Account.

Operating expenses at Solid Waste increased \$3.7 million or 1.9 percent in 2018 compared to 2017. The largest operating expenses that increased were \$5.6 million in services made up of \$2.6 million for residential and commercial collection contract payments and \$2.5 million for consulting fees. Additional increases included \$1.1 million for business and occupation utility tax paid to the City's General and \$2.0 million in depreciation and amortization. These increases were offset by a decrease of \$3.9 million in other operating expenses related to the environmental liability adjustment, \$1.9 million in salaries and wages, and \$1.1 million in personnel benefits.

# The City of Seattle

## FINANCIAL ANALYSIS OF CITY FUNDS

Table A-3

### REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY MAJOR GOVERNMENTAL FUNDS (In Thousands)

	Major Funds			
	General Fund (a)		Transportation Fund	
	2018	2017	2018	2017
<b>Revenues</b>				
Taxes	\$ 1,193,693	\$ 1,107,596	\$ 141,763	\$ 139,410
Licenses and Permits	45,558	35,463	8,107	8,212
Grants, Shared Revenues, and Contributions	45,207	26,908	27,828	33,369
Charges for Services	63,596	60,805	115,171	74,764
Fines and Forfeits	31,461	30,299	329	172
Parking Fees and Space Rent	39,980	39,155	64	244
Program Income, Interest, and Miscellaneous Revenues	122,145	104,496	923	698
Total Revenues	1,541,640	1,404,722	294,185	256,869
<b>Expenditures</b>	1,548,449	1,083,903	263,425	382,407
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—
Sales of Capital Assets	2,065	7,550	2,063	—
Transfers In (Out)	(13,646)	(275,818)	(31,840)	131,608
Total Other Financing Sources and Uses	(11,581)	(268,268)	(29,777)	131,608
<b>Fund Balances</b>				
Nonspendable	93	350	—	1
Restricted	215,620	181,950	83,963	5,890
Committed	88,794	131,386	44,258	97,717
Assigned	26,391	29,172	—	—
Unassigned	152,368	152,225	(16,788)	—
Total Fund Balances	\$ 483,266	\$ 495,083	\$ 111,432	\$ 103,608

(a) For comparative purpose, \$8.6 million charges for services in 2017 for Judgment and Claim fund was reclassified to program income.

## Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance measures the City's net resources available for all purpose spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

In 2018, the City's governmental funds generated \$2.4 billion in revenues, and recorded \$2.4 billion in expenditures. Revenues grow by 8.4 percent, driven by a \$90.0 million increase in tax collections, a \$64.1 million increase in charges for services, and a \$28.9 million increase in program income, interest, and miscellaneous revenues. Along with the 8.4 percent growth in revenue, expenditures grew \$250.3 million, rising 11.5 percent. The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$83.5 million for 2018. These resources offset the operating deficit and directly contributed to the 5.0 percent increase in the City's governmental fund balance which totals \$1.2 billion at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2018.

The General Fund accounts for 64.3 percent of revenues and 63.6 percent of total governmental expenditures. The General Fund is the chief operating fund of the City. For the City's implementation of GASB Statement No. 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are now reported with the City's General Fund. This is in addition to the Library Fund which has been reported as part of the General Fund. The amounts presented for fiscal year 2017 and 2018 in this discussion and analysis reflect this change. Table A-4 provides a summary of activities for the general subfunds at year-end 2018.

The General Fund reported \$1.5 billion total revenue, of which, 77.4 percent were from tax collections. Tax revenues include property, business, sales and excises taxes. Total tax revenues increased by 7.8 percent, totaling \$86.1 million in 2018. This increase is resulted from the increase in assessed values of properties and increase in business and sales tax rates in 2018. See more discussions and analysis of tax revenue in the governmental acclivities above. Grants and contributions increased \$18.3 million compared to 2017 as a result of more grants and contributions received. Also, program income, interest and miscellaneous revenue increased \$26.2 million in 2018. Total revenue increased 9.7 percent in 2018.

The General Fund reported \$1.5 billion total expenditures in 2018, an increase of 42.9 percent from 2017. The increase in total expenditures was primarily due to an increase in spending for culture and recreation program of \$124.2 million and capital outlay expenditures of \$40.3 million.

The increase in expenditures exceeded the growth of revenues in 2018. The General Fund reported a deficiency of \$6.8 million in 2018 compared to an excess of \$320.8 million in 2017. Fund balance of the General Fund slightly decreased to \$483.3 million.

Consistent with prior reporting period, one of the City's special revenue funds continues to meet the criteria for reporting as major governmental funds, the Transportation Fund, which is included in the fund financial statement section of the CAFR alongside the presentation of the General Fund and the combined non-major governmental funds.

The Transportation Fund, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the Transportation Fund reports a fund balance of \$111.4 million, 7.6 percent greater than reported for 2017. The \$294.2 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services.

The \$37.3 million increase in revenue was primarily due to the increase in charges for services. The Transportation Fund reported a total revenue of charges for services in 2018, \$115.2 million, an increase of \$40.4 million from \$74.8 million. The Transportation Fund's expenditures account for 10.8 percent of all governmental fund expenditures, totaling \$263.4 million for 2018, a decrease of \$119.0 million from 2017. The decrease was primarily due to less capital spending in 2018. The Transportation Fund reported a total capital outlay expenditures of \$73.7 million, a decrease of \$129.7 million from 2017.

As a result of the increase in total revenue and the decrease in total expenditures, the Transportation Fund had excess of revenues over expenditures of \$30.8 million in 2018.

# The City of Seattle

**Table A-4**  
**Page 1 of 2**

**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
GENERAL FUND SUBFUNDS  
(In Thousands)**

	General	Judgment/ Claims <sup>a</sup>	Arts Account	Cable Television Franchise	Cumulative Reserve
<b>Revenues</b>					
Taxes	\$ 1,114,900	\$ —	\$ —	\$ —	\$ 77,739
Licenses and Permits	35,737	—	—	8,374	—
Grants, Shared Revenues, and Contributions	36,945	—	—	—	1,075
Charges for Services	62,530	565	277	—	47
Fines and Forfeits	30,165	15	—	—	(18)
Parking Fees and Space Rent	39,187	—	—	—	157
Program Income, Interest, and Miscellaneous Revenues	19,668	8,886	231	120	2,169
Total Revenues	<u>1,339,132</u>	<u>9,466</u>	<u>508</u>	<u>8,494</u>	<u>81,169</u>
<b>Expenditures</b>					
	1,261,179	26,240	10,148	9,560	80,632
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	2,065
Transfers In (Out)	(107,231)	20,000	10,306	(642)	(1,552)
Total Other Financing Sources and Uses	<u>(107,231)</u>	<u>20,000</u>	<u>10,306</u>	<u>(642)</u>	<u>513</u>
<b>Fund Balances</b>					
Nonspendable	82	—	—	—	1
Restricted	4,772	—	—	—	121,186
Committed	2,957	8,454	4,773	1,096	32,489
Assigned	25,042	—	—	—	—
Unassigned	38,898	—	—	—	50,225
Total Fund Balances	<u>\$ 71,751</u>	<u>\$ 8,454</u>	<u>\$ 4,773</u>	<u>\$ 1,096</u>	<u>\$ 203,901</u>

	Fiscal Reserve (Emergency)	Transit Benefit	Office of Labor Standard	Industrial Insurance	Unemployment Compensation
<b>Revenues</b>					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	1,447	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	9	539	76
Total Revenues	<u>—</u>	<u>—</u>	<u>9</u>	<u>539</u>	<u>76</u>
<b>Expenditures</b>					
	—	—	5,424	—	—
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	1,542	—	5,681	—	(367)
Total Other Financing Sources and Uses	<u>1,542</u>	<u>—</u>	<u>5,681</u>	<u>—</u>	<u>(367)</u>
<b>Fund Balances</b>					
Nonspendable	—	—	—	—	—
Restricted	—	—	—	—	—
Committed	—	—	266	6,331	1,196
Assigned	—	—	—	—	—
Unassigned	63,245	—	—	—	—
Total Fund Balances	<u>\$ 63,245</u>	<u>\$ —</u>	<u>\$ 266</u>	<u>\$ 6,331</u>	<u>\$ 1,196</u>

**Table A-4**  
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**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
GENERAL FUND SUBFUNDS  
(In Thousands)**

	<b>Firefighter Health Care Fund</b>	<b>Health Care</b>	<b>Group Term Life Insurance</b>	<b>Firemen's Pension</b>	<b>Police Relief and Pension</b>
<b>Revenues</b>					
Taxes	\$ —	\$ —	\$ —	\$ 1,053	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	38,556	5,943	18,882	26,806
Total Revenues	<hr/> —	<hr/> 38,556	<hr/> 5,943	<hr/> 18,882	<hr/> 26,806
<b>Expenditures</b>					
	—	35,660	5,532	18,177	29,739
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	—	—	—
Total Other Financing Sources and Uses	<hr/> —	<hr/> —	<hr/> —	<hr/> —	<hr/> —
<b>Fund Balances</b>					
Nonspendable	—	—	—	—	—
Restricted	249	76,931	—	—	—
Committed	—	—	960	20,823	5,765
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	<hr/> \$ 249	<hr/> \$ 76,931	<hr/> \$ 960	<hr/> \$ 20,823	<hr/> \$ 5,765
<b>Total General Fund</b>					
	<b>Library</b>	<b>2018</b>	<b>2017 (a)</b>		
<b>Revenues</b>					
Taxes	\$ —	\$ 1,193,693	\$ 1,107,596		
Licenses and Permits	—	45,558	35,463		
Grants, Shared Revenues, and Contributions	7,187	45,207	26,908		
Charges for Services	179	63,596	60,805		
Fines and Forfeits	1,299	31,461	30,299		
Parking Fees and Space Rent	636	39,980	39,155		
Program Income, Interest, and Miscellaneous Revenues	260	122,145	104,496		
Total Revenues	<hr/> 9,561	<hr/> 1,541,640	<hr/> 1,404,721		
<b>Expenditures</b>					
	66,160	1,548,449	1,083,903		
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	2,065	7,550		
Transfers In (Out)	58,616	(13,647)	(275,818)		
Total Other Financing Sources and Uses	<hr/> 58,616	<hr/> (11,582)	<hr/> (268,268)		
<b>Fund Balances</b>					
Nonspendable	9	93	350		
Restricted	12,484	215,620	181,950		
Committed	3,684	88,794	131,386		
Assigned	1,350	26,391	29,172		
Unassigned	—	152,368	152,225		
Total Fund Balances	<hr/> \$ 17,527	<hr/> \$ 483,266	<hr/> \$ 495,083		

(a) For comparative purpose, \$8.6 million charges for services in 2017 for Judgment and Claim fund was reclassified to program income.

## Proprietary Funds

The analysis of changes in net position in the government-wide financial statements provides sufficient details for changes in net position of each major proprietary fund. The discussions below more focus on changes in significant balances of assets, liabilities, deferred outflows and inflows of resources, and net position for each major proprietary fund. .

**City Light Utility.** Capital assets, net of accumulated depreciation and amortization, were \$3.8 billion and \$3.5 billion in 2018 and 2017, a significant increase of \$311.4 million. The new additions of utility plants were \$464.5 million in 2018, including the largest addition of \$313.7 million of distribution plant. The 2018 new additions were partially offset by a \$70.4 million net increase in accumulated depreciation and amortization. Another significant component of capital assets is construction work-in-program, which decreased by \$103.1 million in 2018. The \$313.7 million increase in distribution plant is primarily due to Denny substation, \$133.0 million, seawall replacement, \$39.7 million, and equipment replacement, \$27.3 million.

Total liabilities were \$3.3 billion in 2018 and \$3.1 billion in 2017, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables increased a net \$147.5 million to \$2.6 billion in 2018 compared to \$2.4 billion in 2017. The Department issued total new debt in the amount of \$263.8 million revenue bonds and \$198.8 million refunding revenue bonds to fund a portion of the ongoing capital improvement program. The 2018 bond issues were a combination of fixed and variable rate bonds. \$198.2 million in revenue bonds were refunded with a revised variable rate index that anticipates lower interest rate debt over the life of the new variable rate bonds. Debt to capitalization ratio was 62.4 percent at the end of 2018, a decrease from the ratio of 63.7 percent in 2017. Net revenue available to pay debt service were equal to 1.83 times principal and interest on all bonds for 2018.

City Light's total net position was \$1.5 billion in 2018 and \$1.3 billion in 2017, an increase of \$0.2 billion. The financial position of City Light improved year over year.

**Water Utility.** Current assets increased by \$66.8 million or 71.3 percent from 2017. This is primarily due to increase in operating cash of \$39.3 million, due from other funds of \$17.1 million and due from other governments of \$8.3 million. The increase in operating cash is primarily due to receipt of \$16 million from a litigation settlement with another government agency for damages caused by the SR 99 Bored Tunnel Project, \$12.0 million from the Cascade Water Alliance (CWA) for a scheduled payment per an existing agreement and \$6 million reimbursement for reservoir seismic upgrades. The increase in due from other funds primarily includes \$6.3 million from Seattle City Light (SCL) for services related to the utility customer call center, \$5.8 million from the City for hydrant jurisdiction and other receivables, \$2.7 million overpayment and other reimbursement from Seattle Department of Transportation (SDOT) and other miscellaneous receivables.

Capital assets increased \$15.7 million or 1.2 percent from 2017. The increase is mostly due to investments in infrastructure improvements, facility and technology improvements of \$73.3 million. This change was offset by \$46.1 million increase in accumulated depreciation and a decrease in construction work in progress of \$11.6 million.

Deferred outflows of resources decreased by \$13.4 million or 36.5 percent from 2017. This change resulted from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits (OPEB).

Noncurrent liabilities decreased \$64.3 million or 6.1 percent over 2017. The largest portion of this decrease, \$14.4 million, resulted from the decrease in the Fund's net pension liability, \$2.0 million decrease in loans as a result of scheduled payments and \$1.0 million decrease in claims payable. These decreases were offset by an increase of \$1.3 million in the HCP liability.

Deferred inflow of resources increased by \$11.0 million or 20.6 percent from 2017. This increase is due to a deposit of \$7.7 million to the revenue stabilization account, and \$0.8 million interest earned on the account. The other \$2.4 million is change in difference between employer contribution and proportionate share of employer contributions for pension and changes in assumptions for OPEB.

In 2018, net investment in capital assets increased \$33.0 million from 2017 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt and debt related accounts of \$44.5 million, offset by a decrease in construction cash of \$25.8 million. Restricted net position decreased slightly by \$0.06 million. Unrestricted net position increased by \$48.8 million in 2018 as compared to 2017. Overall, the financial position of Water Utility improved year over year.

**Drainage and Wastewater Utility.** Other assets (excluding current assets and capital assets) decreased \$62.7 million or 22.9 percent from 2017. This is mostly attributable to decreases of \$62.1 million in restricted cash and equity in pooled investments used to fund capital projects, \$0.3 million in regulatory assets, and \$0.3 million other charges.

Other liabilities (excluding current liabilities and revenue bonds) increased \$21.0 million or 7.6 percent. This is mostly attributable to an increase of \$35.3 million to environmental liabilities due to changes in estimates. This increase was offset by decreases of \$14.8 million to net pension liability due to contributions and changes in assumptions.

In 2018, net investment in capital assets increased \$12.5 million from 2017 due to an increase in capital assets placed in service, net of depreciation offset by the related debt. Restricted net position increased by \$2.7 million from 2017. The unrestricted portion of net position increased by \$0.7 million from 2017. Overall, financial position of Drainage and Wastewater Utility improved year over year.

**Solid Waste Utility.** Current assets increased by \$8.5 million or 11.7 percent from the prior year mostly due to a \$3.7 million increase in operating cash, a \$3.0 million increase in amounts due from other funds, a \$1.0 increase in accounts receivable, net of allowance for doubtful accounts, and a \$0.7 million increase in due from other governments. The increase in operating cash was primarily the result of operating activities.

Capital assets decreased \$6.1 million or 2.7 percent over the prior year. This decrease is due to \$11.8 million depreciation offset by a \$5.8 million increase in construction in progress, driven mostly by costs for the South Transfer Station Phase 2.

Noncurrent and other liabilities decreased \$11.0 million or 3.8 percent from 2017. This decrease is mostly attributed to a decrease of \$8.1 million in Revenue Bonds and related liabilities and a \$5.2 million decrease in net pension liability. These decreases were offset by a \$2.0 million increase in the noncurrent portion of environmental liabilities and an increase of \$0.5 million in accrued landfill closure/postclosure costs.

During 2018, net position invested in capital assets decreased \$3.9 million due to a decrease in capital assets offset by a decrease in debt related to investment in capital. The unrestricted portion of net position increased \$8.8 million from the prior year primarily as a result of operating income. Overall, the financial position of Solid Waste Utility improved year over year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund in the budgetary discussion below includes the General Operating Fund and several subfunds that are combined into one General Fund. See table A-4 for additional details on General Subfund activities. It's also important to note that for budgetary comparisons purposes the General Fund presentation on schedules C-1 and D-11 report actual expenditure and revenue totals without the elimination of reimbursements collected internally through the City's personnel compensation trust funds.

As reported in the budget to actuals schedules of the required supplementary information, the General Fund's original budget is comprised of the adopted budget and carryforward budgets from previous years. The final budget presentation adds the additional supplemental legislation for budget revisions and authorized budget transfers.

### Original Budget Compared to Final Budget:

The General Fund's final budget had the same budgeted revenues and other financing sources as the original budget but increased the budgeted expenditures by \$172.6 million from the original budget. The variance in expenditures is mainly due to adjustment made to current expenditures for general government, public safety, and economic environment functions, which together accounting for 91.7 percent of the increase. Budget adjustments were made during the year to current expenditures - general government by \$53.9 million; public safety by \$83.1 million; and economic environment by \$21.3 million.

### Final Budget Compared to Actual Results:

Actual revenue was higher than the final budget by \$125.8 million. The higher amount of actual revenue mainly resulted from sales taxes, other taxes, grants and contributions, charges for services and program income, which increased by \$16.6 million, \$23.7 million, \$25.5 million, \$16.1 million and \$43.0 million, respectively.

Taxes are by far the largest revenue source, all taxes account for 70.1 percent of total actual revenue. Property taxes, Sales taxes, business taxes and interfund business taxes are four major sources of budgetary taxes for General fund. Retail sales and use

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taxes provide the most opportunity for variability up or down, as it is dependent on spending, which increases or decreases with consumer confidence. Program Income, Interest, and Miscellaneous is the other significant sources of revenues for the General Fund with 18.5 percent of total actual revenues. The amount received for charges for services and intergovernmental revenues are dependent on corresponding services provided, thus, would fluctuate with the applicable programs and services offered.

Actual expenditures were \$366.2 million less than the final budget. General government accounts for 33.2 percent of the under expenditures and all other expenditures contributed to the under expenditures. For other financing sources, actual sales of capital assets was \$1.6 million more than the final budget; transfers in was \$65.7 million less than the final budget; and transfer out was \$26.0 million more than the final budget.

## CAPITAL ASSETS

The following schedule shows the City's investment in capital assets.

**Table A-5**

**CAPITAL ASSETS AT YEAR END, NET OF DEPRECIATION  
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Land	\$ 590,659	\$ 590,625	\$ 265,710	\$ 175,446	\$ 856,369	\$ 766,071
Plant in Service, Excluding Land	—	—	5,576,001	5,135,222	5,576,001	5,135,222
Buildings and Improvements	1,531,975	1,497,260	—	—	1,531,975	1,497,260
Machinery and Equipment	190,670	183,517	34	48	190,704	183,565
Infrastructure	1,561,500	1,130,676	—	—	1,561,500	1,130,676
Construction in Progress	482,058	875,715	654,173	768,143	1,136,231	1,643,858
Other Capital Assets	54,649	15,033	34,942	80,023	89,591	95,056
Total Capital Assets	\$ 4,411,511	\$ 4,292,826	\$ 6,530,860	\$ 6,158,882	\$ 10,942,371	\$ 10,451,708

Capital assets, net of depreciation for governmental activities increased by \$118.7 million, largely as the result of SDOT capitalizing \$489.5 million in infrastructure assets (seawalls, roads, bridges, sidewalks, signs, illuminations, etc). CWIP declined by \$393 million as a result of infrastructure assets being placed into service.

Capital assets, net of depreciation for business-type activities increased by \$371.9 million, largely as the result of the following:

Seattle City Light's capital assets, net of accumulated depreciation and amortization, increased by \$311.3 million in 2018. The increase is primarily due to additional costs incurred by capital asset projects such as the Denny distribution substation of \$133.0 million, seawall of \$39.7 million, and equipment replacements of \$27.3 million, as well as other projects such as a new Citywide financial system of \$24.7 million and Advanced Metering and AM system integrations of \$11.7 million.

The Drainage and Wastewater Utility's net capital assets increased by \$51.3 million in 2018. The increase is primarily due to capital asset additions and enhancements such as pipeline rehabilitations and improvements \$23.1 million, land at the south operations facility \$12 million, the share of a new Citywide financial system \$6.2 million, land for the Ship Canal Water Quality project \$4.7 million, and heavy equipment purchases \$3.7 million.

The Water Utility's net capital assets increased by \$15.7 million in 2018. The increase is primarily due to capital asset additions and enhancements such as the share of a new Citywide financial system \$9.1 million and infrastructure work for the Alaskan Way Viaduct and Seawall \$3.9 million.

The Solid Waste Utility's net capital assets decreased by \$6.1 million in 2018. The significant capital asset additions and enhancements were the fund's share of a new Citywide financial system of \$3 million and heavy equipment purchases of \$1.6 million.

More detailed financial information about the City's capital asset activities is presented in Note 6 to the financial statements.

## DEBT ADMINISTRATION

At the end of the fiscal year 2018, the City had \$5.7 billion in outstanding bonded debt, net of premiums and discounts that included general obligation and revenue bonds, comparable to \$5.7 billion in 2017. The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, had the outstanding balance of \$5.0 million. In 2018 LTGO and UTGO bonds were issued to finance various capital improvement projects such as Alaskan Way Corridor, Seawall, Fire Stations, Precinct, King Street Station TI for Arts and other IT projects.

The City also issued revenue bonds: \$462.5 million for the Light Fund to finance capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. In the prior years, the City's 2016 LTGO bonds were rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. Subsequently, the City's credit rating on its LTGO bonds was upgraded by the three rating agencies in 2017, which are the highest possible ratings. As such, the City's 2018 LTGO bonds are now rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P). In addition, the City's utilities have stellar credit ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of the assessed value of taxable properties by state law. The 2018 assessed value based on the latest report for the City is \$244.9 billion. At the end of 2018 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.106 billion, well below the limit of \$18.370 billion, rendering the City's legal debt margin at \$17.288 billion for year-end 2018. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year end 2018 the LTGO net outstanding debt was \$703.6 million.

More detailed information about the City's long-term liabilities are presented in Note 9 to the financial statement.

## ECONOMIC FACTORS

**U.S. Economy.** The recovery from the Great Recession, the country's worst economic downturn since the Great Depression, is now in its tenth year, making it the second longest expansion of the post-World War II period. It is also the weakest, with real gross domestic product (GDP) growth averaging 2.2 percent per year. However, the pace of growth has picked up in 2018 due to the stimulus from recent federal tax cuts and spending increases. In December 2017, Congress passed the Tax Cuts and Jobs Act, which reduces federal tax revenue from individual and corporate taxes by roughly \$1.5 trillion over ten years. In early 2018, Congress passed the Bipartisan Budget Act, which boosts federal spending in 2018 and 2019 by \$300 billion, an increase of about ten percent. Both the tax cuts and spending increase are deficit financed.

Real gross domestic product (GDP) increased at a 2.2 percent rate in the first quarter of 2018, but then picked up to 4.2 percent in the second quarter, to average 3.2 percent for the first half of the year. Second quarter growth was driven by gains in consumer spending, fixed investment, government spending, and net exports. The pick-up in growth is reflected in the job market. For the first seven months of 2018, employment has increased by an average of 215,000 jobs each month, up from 184,000 jobs per month for the same period in 2017. Over the course of the recovery, the unemployment rate has fallen from 10.0 percent in October 2009 to 3.9 percent in July 2018. Wage growth, which has been disappointing, is rising slowly. The Employment Cost Index, considered by many to be the best gauge of labor market inflation, increased by 2.8 percent on a year-over-year basis in second quarter 2018, the strongest reading since the third quarter of 2008. Consumer price inflation in the second quarter averaged 2.7 percent.

***The forecast calls for healthy growth through 2019, followed by a slowdown in 2020.*** Forecasts of the U.S. economy expect GDP growth to remain above trend through the end of 2019, as the federal stimulus continues to boost the economy. However, 2020 will see a slowing of growth and a rising risk of recession.

**Seattle metropolitan area economy.** Since the Great Recession ended in June 2009, the region's economy has outperformed the national economy by a considerable margin. This is reflected in the region's robust job growth and low unemployment rate. Seattle Metro Area (King and Snohomish Counties) employment increased by 25.0 percent from its post-recession low in February 2010 through July 2018. This compares to a 15.0 percent gain for the U.S. and a 17.9 percent gain for the rest of Washington state. In July 2018, the unemployment rate for the Seattle metro area was 3.6 percent, compared to 4.6 percent for Washington state and 3.9 percent for the U.S. The region has also outpaced the nation and the state in both income and wage growth during the recovery.

## The City of Seattle

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Although virtually all sectors of the economy have seen employment increase during the recovery, the principal driver of growth has been high-technology business. Foremost is Amazon, which has increased its Seattle area employment from under 10,000 in 2010 to approximately 45,000 in early 2018. Both Google and Facebook have added more than 2,000 employees, and other Silicon Valley firms have opened or expanded Seattle area offices. In addition, local firms, including Microsoft, Tableau, and Zillow, have been growing, and new firms have emerged. Strong growth in the technology sector and other basic industries has spurred growth in construction, real estate, and business and professional services.

Strong employment growth has drawn workers and job seekers to the region, causing a surge in in-migration. Between 2010 and 2018, the population of King and Snohomish Counties increased by 351,000. More than a third of that increase took place in Seattle. Strong population growth has stimulated employment in the local service sectors of the economy, including retailing, eating and drinking places, and health care.

Employment growth peaked in the first half of 2016 and has been slowing gradually since then. One cause of the slowing has been job reductions at Boeing. Between December 2015 and September 2017, Boeing reduced its Washington employment by 12,600. In addition, there are signs that Amazon's pace of growth has cooled significantly in the past year.

Seattle has been home to an outsized share of metro area growth during the recovery. Economic growth during the current recovery has been concentrated in the Seattle Metro Area, and within the metro area in the city of Seattle. The Seattle Metro Area (King and Snohomish Counties), with 50.2 percent of the state's employment and 40.3 percent of the state's population, accounted for 59.8 percent of state employment growth and 51.0 percent of state population growth between 2010 and 2017. During this period Seattle's employment increased by 25.7 percent, compared to a 18.9 percent increase for the rest of the metro area and 13.4 percent for the rest of the state (i.e., outside of the metro area). Population growth was even more skewed toward Seattle, which saw a 17.3 percent increase from 2010 to 2017, nearly double the 9.5 percent rate for the rest of the metro area, and more than double the 7.0 percent rate for the rest of the state.

Seattle's strong rebound from the recession has been supported by the growth of Amazon, other technology businesses, and business and professional service firms. Employment growth at these businesses, along with the current popularity of in-city living, has boosted the demand for office space and housing in the city, spurring a construction boom. Initial construction was focused in new apartments and public construction, but over time activity has broadened to include more office projects and condominiums. In 2017, the City issued building permits valued at a record \$5.0 billion. The value of permits issued has dropped after peaking in the third quarter of 2017.

## FINANCIAL CONTACT

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, Citywide Accounting and Payroll Services Division, P.O. Box 94669, Seattle, WA 98124-4669 (Telephone 206-233-7825).

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## STATEMENT OF NET POSITION

December 31, 2018

(In Thousands)

	Primary Government		Comparative Totals		Component Units	
	Governmental Activities	Business-Type Activities	2018	2017		
<b>ASSETS</b>						
<i>Current Assets</i>						
Operating Cash and Equity in Pooled Investments	\$ 1,149,469	\$ 569,164	\$ 1,718,633	\$ 1,539,062	\$ 4,212	
Restricted Cash and Equity in Pooled Investments	10,217	—	10,217	7,968		
Investments	—	—	—	—	64,628	
Receivables, Net of Allowances	166,741	288,529	455,270	414,629		
Internal Balances	(24,584)	24,584	—	—		
Due from Other Governments	132,563	25,726	158,289	94,423		
Inventories	3,901	43,513	47,414	45,258		
Prepaid and Other Current Assets	7,668	464	8,132	6,862		
Total Current Assets	1,445,975	951,980	2,397,955	2,108,202	68,840	
<i>Noncurrent Assets</i>						
Restricted Cash and Equity in Pooled Investments	86,677	618,103	704,780	755,891		
Contracts and Notes	23,329	—	23,329	11,151		
Conservation Costs, Net	—	290,457	290,457	290,969		
Landfill Closure and Postclosure Costs, Net	—	19,201	19,201	20,239		
Environmental Costs and Recoveries	—	115,728	115,728	83,408		
Net Pension Asset	249,229	—	249,229	181,280		
Regulatory Asset	—	15,722	15,722	17,379		
Other Charges and Noncurrent Assets	—	111,942	111,942	113,616		
Capital Assets, Net of Accumulated Depreciation						
Land and Land Rights	590,658	265,710	856,368	766,065		
Plant in Service, Excluding Land	—	5,576,002	5,576,002	5,135,222		
Buildings and Improvements	1,531,976	—	1,531,976	1,489,189		
Machinery and Equipment	190,670	34	190,704	181,833		
Infrastructure	1,561,500	—	1,561,500	1,130,676		
Construction in Progress	482,057	654,173	1,136,230	1,750,337		
Other Capital Assets	54,649	34,941	89,590	94,971	18	
Total Noncurrent Assets	4,770,745	7,702,013	12,472,758	12,022,226	18	
Total Assets	6,216,720	8,653,993	14,870,713	14,130,428	68,858	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	149,186	97,240	246,426	342,823		
	\$ 6,365,906	\$ 8,751,233	\$ 15,117,139	\$ 14,473,251	\$ 68,858	

The accompanying notes are an integral part of these financial statements

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## STATEMENT OF NET POSITION

**December 31, 2018**

*(In Thousands)*

	Primary Government		Comparative Totals		Component Units	
	Governmental Activities	Business-Type Activities	2018	2017		
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	\$ 123,769	\$ 97,808	\$ 221,577	\$ 179,711	\$ 1,483	
Salaries, Benefits, and Taxes Payable	123,387	23,171	146,558	76,921		
Contracts Payable	1,290	—	1,290	1,345		
Due to Other Governments	8,330	15,218	23,548	25,368		
Interest Payable	8,099	61,988	70,087	67,306		
Taxes Payable	100	10,995	11,095	11,693		
Deposits Payable	—	—	—	—		
Unearned Revenues	27,522	32,980	60,502	60,341		
Current Portion of Long-Term Debt						
Bonds Payable	80,560	196,035	276,595	276,865		
Compensated Absences Payable	7,402	1,930	9,332	25,217		
Notes and Contracts Payable	1,275	4,795	6,070	6,213		
Claims Payable	30,646	14,665	45,311	41,351		
Habitat Conservation Program Liability	—	604	604	710		
Landfill Closure and Postclosure Liability	—	1,708	1,708	1,605		
Other Current Liabilities	14,774	28,614	43,388	26,425		
Total Current Liabilities	427,154	490,511	917,665	801,071	1,483	
<i>Noncurrent Liabilities</i>						
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	973,560	4,493,961	5,467,521	5,441,960		
Bond Interest Payable	—	—	—	—		
Special Assessment Bonds with Governmental Commitment	4,975	—	4,975	6,075		
Compensated Absences Payable	81,048	27,166	108,214	106,902		
Claims Payable	77,632	310,130	387,762	301,573		
Notes and Contracts Payable	6,795	71,461	78,256	80,343		
Landfill Closure and Postclosure Liability	—	22,947	22,947	22,475		
Vendor Deposits Payable	352	41	393	1,850		
Habitat Conservation Program Liability	—	6,121	6,121	4,823		
Unearned Revenues	—	42,116	42,116	32,498		
Arbitrage Rebate Liability	—	—	—	—		
Unfunded Other Post Employment Benefits	609,519	17,820	627,339	171,123		
Net Pension Liability	828,813	444,197	1,273,010	1,495,669		
Other Noncurrent Liabilities	2,064	764	2,828	3,338		
Total Noncurrent Liabilities	2,584,758	5,436,724	8,021,482	7,668,629	—	
Total Liabilities	3,011,912	5,927,235	8,939,147	8,469,700	1,483	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	165,642	287,108	452,750	265,297		

The accompanying notes are an integral part of these financial statements

**STATEMENT OF NET POSITION**  
**December 31, 2018**  
*(In Thousands)*

	Primary Government		Comparative Totals		Component Units	
	Governmental Activities	Business-Type Activities				
			2018	2017		
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$ 3,382,301	\$ 2,462,768	\$ 5,845,069	\$ 5,645,430	18	
Restricted for						
Debt Service	11,694	—	11,694	11,290		
Capital Projects	191,379	—	191,379	221,363		
Rate Stabilization Account	—	25,000	25,000	25,000		
Education and Development Services	75,006	—	75,006	80,525		
Special Deposits	—	—	—	—		
Conservation and Environmental Costs	—	8,373	8,373	8,275		
Bonneville Power Administration Projects	—	—	—	—		
External Infrastructure Costs	—	6,878	6,878	7,099		
Muckleshoot Settlement	—	—	—	—		
Other Charges	—	47,900	47,900	45,153		
Health Care Reserve	77,179	—	77,179	43,944		
Transportation Programs	148,821	—	148,821	61,942		
Low-Income Housing Programs	234,904	—	234,904	179,970		
Other Purposes	124,882	—	124,882	95,468	47,579	
Nonexpendable	2,050	—	2,050	—	19,778	
Unrestricted	(1,059,864)	(14,029)	(1,073,893)	(687,205)		
Total Net Position	3,188,352	2,536,890	5,725,242	5,738,254	67,375	
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,365,906	\$ 8,751,233	\$ 15,117,139	\$ 14,473,251	\$ 68,858	

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**Page 1 of 2**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

Functions/Programs	Program Expenses			Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 91,710	\$ 81,714	\$ 80,074	\$ 34,429	\$ 1,616	
Judicial	21,199	10,467	27,339	154	—	
Public Safety	626,052	52,805	36,048	12,716	88	
Physical Environment	12,638	294	4,771	1,943	77	
Transportation	267,275	40,158	175,404	25,325	7,693	
Economic Environment	249,811	1,900	74,755	34,570	4,035	
Health and Human Services	130,591	7,661	1,006	31,789	—	
Culture and Recreation	294,089	17,786	69,307	11,810	2,038	
Interest on Long-Term Debt	46,915	—	—	—	—	
Total Governmental Activities	1,740,280	212,785	468,704	152,736	15,547	
<b>BUSINESS-TYPE ACTIVITIES</b>						
Light	816,932	74,851	991,585	649	59,624	
Water	210,033	31,814	280,019	—	30,727	
Drainage and Wastewater	347,348	32,571	416,482	9,673	—	
Solid Waste	190,025	11,362	203,367	294	—	
Planning and Development	47,787	15,207	73,927	—	—	
Downtown Parking Garage	—	—	—	—	—	
Fiber Leasing	—	—	—	—	—	
Total Business-Type Activities	1,612,125	165,805	1,965,380	10,616	90,351	
Total Government-Wide Activities	<b>\$ 3,352,405</b>	<b>\$ 378,590</b>	<b>\$ 2,434,084</b>	<b>\$ 163,352</b>	<b>\$ 105,898</b>	
<b>COMPONENT UNITS</b>						
	<b>\$ 6,907</b>	<b>\$ —</b>	<b>\$ 293</b>	<b>\$ 4,037</b>	<b>\$ —</b>	

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Net Revenue (Expense) and Changes in Net Position				
	Primary Government		Comparative Totals		
	Governmental Activities	Business-Type Activities	2018	2017	Component Units
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ (57,305)	\$ —	\$ (57,305)	\$ (73,057)	
Judicial	(4,173)	—	(4,173)	(4,403)	
Public Safety	(630,005)	—	(630,005)	(539,041)	
Physical Environment	(6,141)	—	(6,141)	(15,846)	
Transportation	(99,011)	—	(99,011)	(267,170)	
Economic Environment	(138,351)	—	(138,351)	(77,472)	
Health and Human Services	(105,457)	—	(105,457)	(76,407)	
Culture and Recreation	(228,720)	—	(228,720)	(252,910)	
Interest on Long-Term Debt	(46,915)	—	(46,915)	(47,777)	
Total Governmental Activities	(1,316,078)	—	(1,316,078)	(1,354,083)	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	—	160,075	160,075	118,016	
Water	—	68,899	68,899	49,824	
Drainage and Wastewater	—	46,236	46,236	36,815	
Solid Waste	—	2,274	2,274	11,333	
Planning and Development	—	10,933	10,933	(216)	
Downtown Parking Garage	—	—	—	—	
Fiber Leasing	—	—	—	(28)	
Total Business-Type Activities	—	288,417	288,417	215,744	
Total Government-Wide Activities	(1,316,078)	288,417	(1,027,661)	(1,138,339)	
<b>COMPONENT UNITS</b>					
General Revenues					\$ (2,577)
Property Taxes	597,349	—	597,349	582,622	
Sales Taxes	306,587	—	306,587	280,963	
Business Taxes	539,045	—	539,045	516,881	
Excise Taxes	106,861	—	106,861	115,674	
Other Taxes	36,000	17,137	53,137	22,032	
Penalties and Interest on Delinquent Taxes	—	—	—	—	
Unrestricted Investment Earnings (Loss)	1,765	28,012	29,777	36,385	(3,613)
Gain on Sale of Capital Assets	7,990	753	8,743	7,550	
Special Item - Environmental Remediation	—	(40,700)	(40,700)	(9,619)	
Transfers	—	—	—	1,004	
Total General Revenues (Loss), Special Item, and Transfers	1,595,597	5,202	1,600,799	1,553,492	(3,613)
Changes in Net Position	279,519	293,619	573,138	415,153	(6,190)
Net Position - Beginning of Year	3,493,637	2,244,617	5,738,254	5,516,877	73,545
Restatements/Prior-Year Adjustments	(584,804)	(1,346)	(586,150)	(193,776)	20
Net Position - Beginning of Year as Restated	2,908,833	2,243,271	5,152,104	5,323,101	73,565
Net Position - End of Year	\$ 3,188,352	\$ 2,536,890	\$ 5,725,242	\$ 5,738,254	\$ 67,375

## MAJOR GOVERNMENTAL FUNDS

The **General Fund** is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives the majority of its revenues from property, sales, business, and utility taxes. Several separate funds are combined as one single general fund for the reporting purpose and all interfund activity and balances are eliminated.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, distribution, or use of motor vehicle fuel; property taxes, commercial parking taxes, and motor vehicle excise taxes designated for street purposes; and grants.

Descriptions for the nonmajor governmental funds are provided in the Combining Statements and Other Supplementary Information section.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018  
(In Thousands)**

	<b>General Fund</b>	<b>Transportation</b>	<b>Other Governmental</b>	<b>2018</b>	<b>Comparative Totals 2017</b>
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 430,890	\$ 63,826	\$ 648,890	\$ 1,143,606	\$ 1,041,429
Receivables, Net of Allowances	111,271	14,523	36,565	162,359	147,952
Due from Other Funds	94,870	52,468	49,000	196,339	50,963
Due from Other Governments	70,399	30,877	26,131	127,407	85,344
Interfund Loans and Advances	5,700	22,001	8,000	35,701	39,736
Other Current Assets	1,729	—	686	2,414	920
Total Assets	<b>714,859</b>	<b>183,695</b>	<b>769,272</b>	<b>1,667,826</b>	<b>1,366,344</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	<b>\$ 714,859</b>	<b>\$ 183,695</b>	<b>\$ 769,272</b>	<b>\$ 1,667,826</b>	<b>\$ 1,366,344</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 63,898	\$ 23,605	\$ 21,288	\$ 108,791	\$ 85,607
Contracts Payable	159	730	401	1,290	1,345
Salaries, Benefits, and Taxes Payable	103,613	5,248	6,736	115,597	42,325
Due to Other Funds	52,476	20,353	100,532	173,361	36,528
Due to Other Governments	570	—	5,198	5,768	7,281
Revenues Collected in Advance	6,744	11,607	9,171	27,522	19,349
Interfund Loans and Advances	—	5,700	30,290	35,990	39,590
Other Current Liabilities	340	3,873	10,026	14,239	3,644
Total Liabilities	<b>227,800</b>	<b>71,116</b>	<b>183,642</b>	<b>482,558</b>	<b>235,669</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<b>3,793</b>	<b>1,147</b>	<b>9,499</b>	<b>14,439</b>	<b>15,340</b>
<b>FUND BALANCES</b>					
Nonspendable	\$ 93	\$ —	\$ 2,790	\$ 2,882	\$ 3,095
Restricted	215,620	83,963	564,282	863,865	694,501
Committed	88,794	44,258	12,742	145,794	246,651
Assigned	26,391	—	12,915	39,307	41,135
Unassigned	152,368	(16,788)	(16,598)	118,982	129,955
Total Fund Balances	<b>483,266</b>	<b>111,432</b>	<b>576,131</b>	<b>1,170,829</b>	<b>1,115,335</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<b>\$ 714,859</b>	<b>\$ 183,695</b>	<b>\$ 769,272</b>	<b>\$ 1,667,826</b>	<b>\$ 1,366,344</b>

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018  
(In Thousands)**

	<b>Comparative Totals</b>	
	<b>2018</b>	<b>2017</b>
Governmental Fund Balance	\$ 1,170,829	\$ 1,115,335
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 3,612,873	\$ 3,663,566
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	26,572	13,587
Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net position, and the latter amounts are included in governmental activities.	471,950	395,295
Net pension asset net of pension obligations	249,229	181,280
Deferred inflows and outflows of resources	(46,577)	81,171
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Claims Payable - Current	(30,086)	(13,853)
Accrued Interest Payable	(6,062)	(6,426)
Current Portion of Long-Term Debt	(52,873)	(59,414)
Compensated Absences Payable	(6,501)	(21,149)
General Obligation Bonds Payable	(773,498)	(783,901)
Less Bond Discount and Premium	—	—
Special Assessment Bonds	(4,975)	(6,075)
Net Pension Liability	(662,073)	(776,193)
Notes and Other Long-Term Liabilities	(6,795)	(13,881)
Compensated Absences - Long-Term	(70,099)	(66,115)
Claims Payable - Long-Term	(76,886)	(61,803)
Workers' Compensation	—	—
Arbitrage	—	—
Unfunded Other Post Employment Benefits	(603,165)	(147,787)
Other Liabilities	(3,511)	—
Net Adjustments	2,017,523	2,378,302
Net Position of Governmental Activities	\$ 3,188,352	\$ 3,493,637

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018  
(In Thousands)**

	General Fund	Transportation	Other Governmental	2018	Comparative Totals 2017
<b>REVENUES</b>					
Taxes	\$ 1,193,693	\$ 141,763	\$ 271,934	\$ 1,607,390	\$ 1,517,422
Licenses and Permits	45,558	8,107	2,033	55,697	43,675
Grants, Shared Revenues, and Contributions	45,207	27,828	84,058	157,092	167,609
Charges for Services	63,596	115,171	125,451	304,218	240,142
Fines and Forfeits	31,461	329	13,579	45,368	42,970
Concessions, Parking Fees and Space Rent	39,980	64	30,218	70,262	71,407
Program Income, Interest, and Miscellaneous Revenues	122,145	923	32,678	155,746	126,816
Total Revenues	1,541,640	294,185	559,951	2,395,776	2,210,042
<b>EXPENDITURES</b>					
Current					
General Government	307,028	—	22,975	330,004	321,637
Judicial	32,892	—	—	32,892	31,645
Public Safety	686,865	—	3,785	690,650	611,790
Physical Environment	12,892	—	686	13,577	16,130
Transportation	59,951	188,282	86,392	334,625	195,895
Economic Environment	103,420	—	154,822	258,243	151,462
Health and Human Services	57,002	—	82,431	139,433	120,943
Culture and Recreation	207,162	—	110,505	317,667	317,961
Capital Outlay					
General Government	15,096	—	1,346	16,442	55,933
Public Safety	902	—	129	1,031	2,764
Physical Environment	794	—	101	895	—
Transportation	19,704	73,729	17,889	111,322	203,447
Economic Environment	803	—	8	811	110
Culture and Recreation	43,933	—	18,269	62,201	60,586
Debt Service					
Principal	1	1,355	79,220	80,576	57,883
Interest	4	59	43,758	43,821	35,551
Bond Issuance Cost	—	—	397	397	508
Other	—	—	—	—	—
Total Expenditures	1,548,449	263,425	622,713	2,434,587	2,184,244
Excess (Deficiency) of Revenues over Expenditures	(6,809)	30,760	(62,762)	(38,811)	25,798
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	49,975	49,975	93,880
Refunding Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	3,186	3,186	10,198
Payment to Refunded Bond Escrow Agent	—	—	—	—	(19,419)
Sales of Capital Assets	2,065	2,063	—	4,128	7,704
Transfers In	14,305	—	89,910	104,215	501,504
Transfers Out	(27,951)	(31,840)	(18,220)	(78,011)	(498,724)
Total Other Financing Sources (Uses)	(11,581)	(29,777)	124,851	83,493	95,143
Net Change in Fund Balance	(18,390)	983	62,089	44,682	120,941
Fund Balances - Beginning of Year	486,396	103,608	510,307	1,100,311	994,245
Restatements/Prior-Year Adjustments	15,261	6,841	3,735	25,837	147
Fund Balances - Beginning of Year as Restated	501,657	110,449	514,042	1,126,148	994,392
Fund Balances - End of Year	\$ 483,266	\$ 111,432	\$ 576,131	\$ 1,170,829	\$ 1,115,333

The accompanying notes are an integral part of these financial statements

# The City of Seattle

**B-5 RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018  
(In Thousands)**

	<b>Comparative Totals</b>	
	<b>2018</b>	<b>2017</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 44,682	\$ 120,943
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.		
Depreciation expense for the year	(120,219)	(118,029)
Capital outlay reported as expenditures	251,732	242,344
Retirement and sale of capital assets	(11,049)	(125)
Capital assets received as donations	—	13,426
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:		
Unavailable resources - property taxes	(248)	749
Reduction of long-term receivable	7,813	(1,331)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items:		
Proceeds of general obligation bonds	(59,864)	(93,880)
Premium on general obligation bonds	—	(10,198)
Proceeds from bond refunding	—	—
Principal payments bonds/notes	80,565	57,821
Amortization of bond premium	5,421	15,828
Amortization of loss on refunding	(1,146)	(1,362)
Minimum capital lease payments	—	165
Bond interest	281	(1,078)
Remittance to refunding escrow using refunding proceeds	—	19,419
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	10,665	(5,190)
Injury and damage claims	(19,523)	(2,167)
Workers' compensation	2,783	(2,445)
Arbitrage	—	—
Unfunded OPEB liabilities	37,860	(17,969)
Environmental liability	(12,033)	(1,043)
Loan to agencies	—	—
Debt guarantee of SISC 2004 bonds	—	416
Pension Expense - GASB68	48,756	(41,759)
WA State's LEOFF Contribution	—	9,399
Other	77	—
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(16,941)	(10,020)
Net revenue of internal service funds activities reported with governmental activities	29,907	10,830
Change in Net Position of Governmental Activities	\$ 279,519	\$ 184,744

The accompanying notes are an integral part of these financial statements

## **MAJOR PROPRIETARY FUNDS**

The **Light Fund** (City Light or SCL) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 461,500 customers in the Seattle and certain surrounding communities. City Light also supplies electrical energy to other City agencies at rates prescribed by City ordinances.

The **Water Fund** is a public utility enterprise fund of the City. The Water Fund was established to account for activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors, such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

The **Drainage and Wastewater Fund** is a public utility enterprise fund of the City. The Drainage and Wastewater Fund was established to account for the drainage and wastewater activities of SPU. Drainage activities include regulating storm water runoff, alleviating flooding, mitigating water pollution caused by runoff, and responding to federal storm water regulations, in addition to managing drainage utility assets. Wastewater activities consist of managing the City's sewer system, including the operation of sewer utility facilities and pumping stations necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

The **Solid Waste Fund** is a public utility enterprise fund of the City. The Solid Waste Fund was established to account for the solid waste activities of SPU. These activities include the collection and disposal of residential and commercial garbage, recycling, and organic material, operation of the City's two transfer stations and two household hazardous waste facilities, and management of the post closure maintenance and environmental monitoring of the City's two closed landfills. The collection, disposal and/or processing of garbage, recycling, and organic materials is performed by private contractors, under contract with the Solid Waste Fund.

Descriptions for the non-major enterprise funds and the internal service funds are provided in the Combining Statements and Other Supplementary Information section.

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**December 31, 2018**

*(In Thousands)*

**Business-Type Activities - Enterprise Funds**

	<b>L i g h t</b>	<b>W a t e r</b>	<b>Drainage and Wastewater</b>	<b>Solid Waste</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Operating Cash and Equity in Pooled Investments	\$ 135,100	\$ 93,941	\$ 184,600	\$ 59,393
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	120,746	14,616	21,118	15,363
Interest and Dividends		843	306	
Unbilled	74,649	16,029	22,715	344
Energy Contracts, Notes, and Other Contracts	—		—	—
Due from Other Funds	5,953	17,883	15,306	3,735
Due from Other Governments	1,865	10,581	4,672	1,751
Materials and Supplies Inventory	35,377	6,492	1,487	157
Prepayments and Other Current Assets	332	72	35	24
Total Current Assets	374,022	160,457	250,239	80,767
<b>Noncurrent Assets</b>				
Restricted Cash and Equity in Pooled Investments	263,730	144,245	152,136	57,950
Notes and Contracts Receivable	—		—	—
Conservation Costs, Net	261,481	28,976	—	—
Landfill Closure and Postclosure Costs, Net	—	—	—	19,201
Environmental Costs and Recoveries	113,699	—	2,029	—
External Infrastructure Costs	—	—	18,157	—
Regulatory Asset	—	8,633	5,375	1,714
Other Charges	56,726	2,772	33,830	456
Capital Assets				
Land and Land Rights	150,177	48,319	40,331	26,883
Plant in Service, Excluding Land	5,057,733	2,082,377	1,370,836	255,488
Less Accumulated Depreciation	(1,893,861)	(837,570)	(387,699)	(71,303)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	486,222	25,411	135,165	7,375
Other Property, Net	20,533	1,756	2,027	2,444
Total Noncurrent Assets	4,516,440	1,504,919	1,372,187	300,208
Total Assets	4,890,462	1,665,376	1,622,426	380,975
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	57,930	23,264	7,650	2,770
Total Assets and Deferred Outflows of Resources	\$ 4,948,392	\$ 1,688,640	\$ 1,630,076	\$ 383,745

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## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

**December 31, 2018**

*(In Thousands)*

	Business-Type Activities - Enterprise Funds		
	Comparative Totals		
	Nonmajor Funds	2018	2017
<b>ASSETS</b>			
<i>Current Assets</i>			
Operating Cash and Equity in Pooled Investments	\$ 96,130	\$ 569,164	\$ 487,573
Restricted Cash and Equity in Pooled Investments	—	—	—
Receivables, Net of Allowances			
Accounts	1,766	173,609	135,419
Interest and Dividends	33	1,182	1,129
Unbilled	—	113,737	126,705
Energy Contracts, Notes, and Other Contracts	—	—	1
Due from Other Funds	3,557	46,434	5,626
Due from Other Governments	183	19,052	8,963
Materials and Supplies Inventory	—	43,513	40,901
Prepayments and Other Current Assets	1	464	490
Total Current Assets	101,670	967,155	806,807
<i>Noncurrent Assets</i>			
Restricted Cash and Equity in Pooled Investments	41	618,102	682,562
Notes and Contracts Receivable	—	—	2
Conservation Costs, Net	—	290,457	290,969
Landfill Closure and Postclosure Costs, Net	—	19,201	20,239
Environmental Costs and Recoveries	—	115,728	98,977
External Infrastructure Costs	—	18,157	18,448
Regulatory Asset	—	15,722	17,379
Other Charges	—	93,784	95,166
Capital Assets			
Land and Land Rights	—	265,710	175,446
Plant in Service, Excluding Land	—	8,766,434	8,168,949
Less Accumulated Depreciation	—	(3,190,433)	(3,033,727)
Buildings and Improvements	—	—	—
Less Accumulated Depreciation	—	—	—
Machinery and Equipment	14,332	14,332	14,430
Less Accumulated Depreciation	(14,298)	(14,298)	(14,292)
Construction in Progress	—	654,173	768,143
Other Property, Net	8,182	34,942	79,933
Total Noncurrent Assets	8,257	7,702,011	7,382,624
Total Assets	109,927	8,669,166	8,189,431
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Assets and Deferred Outflows of Resources	\$ 115,554	\$ 8,766,407	\$ 8,346,036

The accompanying notes are an integral part of these financial statements

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**December 31, 2018**

*(In Thousands)*

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>Comparative Totals</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 5,863	\$ 10,062
Restricted Cash and Equity in Pooled Investments	10,217	7,968
Receivables, Net of Allowances		
Accounts	1,117	489
Interest and Dividends	2	—
Unbilled	20	38
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	27,004	19,894
Due from Other Governments	89	117
Materials and Supplies Inventory	3,901	4,356
Prepayments and Other Current Assets	5,254	5,452
Total Current Assets	53,467	48,376
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	86,677	73,330
Notes and Contracts Receivable	—	—
Conservation Costs, Net	—	—
Landfill Closure and Postclosure Costs, Net	—	—
Environmental Costs and Recoveries	—	—
External Infrastructure Costs	—	—
Regulatory Asset	—	—
Other Charges	—	—
Capital Assets		
Land and Land Rights	108,855	108,842
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	771,099	724,331
Less Accumulated Depreciation	(278,847)	(261,273)
Machinery and Equipment	280,801	267,142
Less Accumulated Depreciation	(150,225)	(138,383)
Construction in Progress	26,136	24,187
Other Property, Net	40,820	1,001
Total Noncurrent Assets	885,316	799,177
Total Assets	938,783	847,553
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>67,190</b>	<b>72,023</b>
Total Assets and Deferred Outflows of Resources	<b>\$ 1,005,973</b>	<b>\$ 919,576</b>

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

**December 31, 2018**

*(In Thousands)*

#### Business-Type Activities - Enterprise Funds

	<b>L i g h t</b>	<b>W a t e r</b>	<b>Drainage and Wastewater</b>	<b>Solid Waste</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 67,097	\$ 11,723	\$ 9,864	\$ 8,788
Salaries, Benefits, and Payroll Taxes Payable	13,832	2,935	3,007	1,059
Compensated Absences Payable	1,212	212	217	76
Due to Other Funds	33,383	23,559	19,157	2,796
Due to Other Governments	—	115	13,353	—
Interest Payable	36,421	11,955	11,405	2,207
Taxes Payable	8,298	1,657	438	602
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	119,410	43,080	26,425	7,120
Claims Payable	8,847	1,358	3,789	585
Notes and Contracts Payable	—	2,050	2,745	—
Habitat Conservation Program Liability	—	604	—	—
Landfill Closure and Postclosure Liability	—	—	—	1,708
Unearned Revenues and Other Credits	23,565	3,926	381	5,108
Other Current Liabilities	28,113	7	327	7
Total Current Liabilities	340,178	103,181	91,109	30,056
<b>Noncurrent Liabilities</b>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	14,981	4,036	4,132	1,441
Claims Payable	108,935	4,209	177,797	19,075
Public Works Trust Loan	—	26,827	44,634	—
Landfill Closure and Postclosure Liability	—	—	—	22,947
Vendor and Other Deposits Payable	—	—	—	—
Habitat Conservation Program Liability	—	6,121	—	—
Unearned Revenues and Other Credits	14,175	255	—	—
Unfunded Other Post Employment Benefits	8,949	2,887	2,956	1,031
Net Pension Liability	232,506	72,255	66,369	24,463
Other Noncurrent Liabilities	439	63	299	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,564,841	868,017	854,018	207,085
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	2,944,826	984,670	1,150,205	276,042
Total Liabilities	3,285,004	1,087,851	1,241,314	306,098
<b>DEFERRED INFLOWS OF RESOURCES</b>	163,966	64,409	9,628	39,854

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**December 31, 2018**

*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>								
	<b>Comparative Totals</b>								
	<b>Nonmajor Funds</b>	<b>2018</b>		<b>2017</b>					
<b>LIABILITIES</b>									
<i>Current Liabilities</i>									
Accounts Payable	\$ 336	\$ 97,808	\$ 97,808	\$ 79,890	\$ 79,890				
Salaries, Benefits, and Payroll Taxes Payable	2,338	23,171	23,171	26,877	26,877				
Compensated Absences Payable	212	1,929	1,929	2,673	2,673				
Due to Other Funds	1,334	80,229	80,229	36,592	36,592				
Due to Other Governments	(4)	13,464	13,464	18,072	18,072				
Interest Payable	—	61,988	61,988	58,385	58,385				
Taxes Payable	—	10,995	10,995	11,618	11,618				
General Obligation Bonds Due Within One Year	—	—	—	—	—				
Revenue Bonds Due Within One Year	—	196,035	196,035	191,825	191,825				
Claims Payable	86	14,665	14,665	18,811	18,811				
Notes and Contracts Payable	—	4,795	4,795	4,811	4,811				
Habitat Conservation Program Liability	—	604	604	711	711				
Landfill Closure and Postclosure Liability	—	1,708	1,708	1,605	1,605				
Unearned Revenues and Other Credits	—	32,980	32,980	40,993	40,993				
Other Current Liabilities	159	28,613	28,613	22,061	22,061				
Total Current Liabilities	4,461	568,984	568,984	514,924	514,924				
<i>Noncurrent Liabilities</i>									
Advances from Other Funds/Interfund Notes Payable	—	—	—	—	—				
Compensated Absences Payable	2,576	27,166	27,166	28,926	28,926				
Claims Payable	114	310,130	310,130	259,984	259,984				
Public Works Trust Loan	—	71,461	71,461	72,215	72,215				
Landfill Closure and Postclosure Liability	—	22,947	22,947	22,475	22,475				
Vendor and Other Deposits Payable	41	41	41	1,702	1,702				
Habitat Conservation Program Liability	—	6,121	6,121	4,823	4,823				
Unearned Revenues and Other Credits	27,686	42,116	42,116	32,498	32,498				
Unfunded Other Post Employment Benefits	1,996	17,819	17,819	17,127	17,127				
Net Pension Liability	48,605	444,198	444,198	544,206	544,206				
Other Noncurrent Liabilities	(37)	764	764	851	851				
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—	—				
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	4,493,961	4,493,961	4,432,049	4,432,049				
Bond Interest Payable	—	—	—	—	—				
Total Noncurrent Liabilities	80,981	5,436,724	5,436,724	5,416,856	5,416,856				
Total Liabilities	85,442	6,005,708	6,005,708	5,931,780	5,931,780				
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>9,251</b>	<b>287,108</b>	<b>287,108</b>	<b>215,997</b>	<b>215,997</b>				

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**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2018**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	Comparative Totals	
	2018	2017
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 14,979	\$ 14,216
Salaries, Benefits, and Payroll Taxes Payable	7,789	7,718
Compensated Absences Payable	901	1,393
Due to Other Funds	8,762	2,815
Due to Other Governments	—	15
Interest Payable	2,037	2,494
Taxes Payable	100	75
General Obligation Bonds Due Within One Year	27,687	26,981
Revenue Bonds Due Within One Year	—	—
Claims Payable	560	355
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	75	282
Total Current Liabilities	62,890	56,344
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	—	—
Compensated Absences Payable	10,949	11,860
Claims Payable	746	1,143
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	352	148
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	6,354	6,208
Net Pension Liability	166,740	175,269
Other Noncurrent Liabilities	—	3
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	200,062	226,011
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Bond Interest Payable	—	—
Total Noncurrent Liabilities	385,203	420,642
Total Liabilities	448,093	476,986
<b>DEFERRED INFLOWS OF RESOURCES</b>	22,630	936

The accompanying notes are an integral part of these financial statements

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2018**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	L i g h t	W a t e r	Drainage and Wastewater	Solid Waste
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,523,823	506,386	392,376	31,968
Restricted for				
Rate Stabilization Account	25,000	—	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	8,373	—	—
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	6,878	—
Muckleshoot Settlement	—	—	—	—
Other Charges	—	4,613	43,093	193
Unrestricted	<u>(49,401)</u>	<u>17,008</u>	<u>(63,213)</u>	<u>5,632</u>
Total Net Position	<u>1,499,422</u>	<u>536,380</u>	<u>379,134</u>	<u>37,793</u>
Total Liabilities, Deferred Inflows of Resources, and				
Net Position	<u>\$ 4,948,392</u>	<u>\$ 1,688,640</u>	<u>\$ 1,630,076</u>	<u>\$ 383,745</u>

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2018**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds		
	Comparative Totals		
	Nonmajor Funds	2018	2017
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,215	2,462,768	2,280,369
Restricted for			
Rate Stabilization Account	—	25,000	25,000
Special Deposits and Other	—	—	—
Conservation and Environmental Costs	—	8,373	8,275
Bonneville Power Administration Projects	—	—	—
External Infrastructure Costs	—	6,878	7,099
Muckleshoot Settlement	—	—	—
Other Charges	—	47,899	45,155
Unrestricted	12,647	(77,327)	(167,639)
Total Net Position	20,862	2,473,591	2,198,259
Total Liabilities, Deferred Inflows of Resources, and			
Net Position	\$ 115,555	\$ 8,766,408	\$ 8,346,036
Total Net Position as above		\$ 2,473,591	\$ 2,198,259
Adjustment to Reflect the Consolidation of Internal			
Service Fund Activities to Enterprise Funds		63,300	46,358
Net Position of Business-type Activities	\$ 2,536,890	\$ 2,244,617	

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**  
**December 31, 2018**  
*(In Thousands)*

	<b>Governmental Activities - Internal Service Funds</b>	
	Comparative Totals	
	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	576,788	476,206
Restricted for		
Rate Stabilization Account	—	—
Special Deposits and Other	—	—
Conservation and Environmental Costs	—	—
Bonneville Power Administration Projects	—	—
External Infrastructure Costs	—	—
Muckleshoot Settlement	—	—
Other Charges	—	—
Unrestricted	<u>(41,538)</u>	<u>(34,552)</u>
Total Net Position	<u>535,250</u>	<u>441,654</u>
Total Liabilities, Deferred Inflows of Resources, and		
Net Position	<u>\$ 1,005,973</u>	<u>\$ 919,576</u>

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	<b>L i g h t</b>	<b>W a t e r</b>	<b>Drainage and Wastewater</b>	<b>Solid Waste</b>
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 991,614	\$ 282,287	\$ 419,876	\$ 205,634
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	217,765	—	—	—
Short-Term Wholesale Power Purchases	18,524	—	—	—
Generation	36,494	—	—	—
Transmission	54,200	—	—	—
Distribution	61,927	—	—	—
Conservation and Other Power Expenses	66,694	—	—	—
Planning and Development	—	1,836	1,541	230
Utility Systems Management	—	16,074	14,092	8,753
Field Operations	—	32,029	31,904	8,501
Project Delivery	—	7,465	11,792	666
Customer Services	55,723	8,546	7,131	6,827
Wastewater Treatment	—	—	167,592	—
Solid Waste Collection	—	—	—	110,882
Operations and Maintenance	—	—	—	—
General and Administrative	96,189	43,665	30,074	17,597
City Business and Occupation Taxes	53,410	33,899	48,048	21,876
Other Taxes	38,357	10,937	5,244	3,062
Amortization of Landfill and Postclosure Costs	—	—	—	1,436
Depreciation and Other Amortization	123,956	56,109	38,162	14,906
Total Operating Expenses	<u>823,239</u>	<u>210,560</u>	<u>355,580</u>	<u>194,736</u>
Operating Income (Loss)	168,375	71,727	64,296	10,898
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	10,737	4,988	8,959	1,656
Interest Expense	(94,050)	(38,197)	(31,898)	(7,961)
Amortization of Bonds Premiums and Discounts, Net	18,105	4,586	4,322	—
Amortization of Refunding Gain (Loss)	(5,283)	(1,372)	(518)	—
Bond Issuance Costs	(2,167)	—	—	—
Gain (Loss) on Sale of Capital Assets	—	379	332	42
Contributions and Grants	649	—	9,673	294
Others, Net	6,189	9,198	1,704	44
Total Nonoperating Revenues (Expenses)	<u>(65,820)</u>	<u>(20,418)</u>	<u>(7,426)</u>	<u>(5,925)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	102,555	51,309	56,870	4,973
Capital Contributions and Grants	59,624	30,727		
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	(40,700)	—
Change in Net Position	162,179	82,036	16,170	4,973
Net Position - Beginning of Year	1,337,918	454,560	363,187	32,898
Prior-Year Adjustment	(675)	(216)	(223)	(78)
Net Position - Beginning of Year as Restated	1,337,243	454,344	362,964	32,820
Net Position - End of Year	<u>\$ 1,499,422</u>	<u>\$ 536,380</u>	<u>\$ 379,134</u>	<u>\$ 37,793</u>

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

**OPERATING REVENUES**

Charges for Services and Other Revenues	\$ 73,927	\$ 1,973,338	\$ 1,936,886
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**OPERATING EXPENSES**

	Nonmajor Funds	2018	2017
Long-Term Purchased Power	—	217,765	224,857
Short-Term Wholesale Power Purchases	—	18,524	15,223
Generation	—	36,494	40,072
Transmission	—	54,200	52,514
Distribution	—	61,927	60,402
Conservation and Other Power Expenses	—	66,694	57,792
Planning and Development	—	3,607	2,764
Utility Systems Management	—	38,919	40,016
Field Operations	—	72,434	70,043
Project Delivery	—	19,923	20,472
Customer Services	—	78,227	70,890
Wastewater Treatment	—	167,592	162,759
Solid Waste Collection	—	110,882	107,530
Operations and Maintenance	33,186	33,186	60,938
General and Administrative	30,369	217,894	237,593
City Business and Occupation Taxes	—	157,233	158,645
Other Taxes	—	57,600	59,540
Amortization of Landfill and Postclosure Costs	—	1,436	1,374
Depreciation and Other Amortization	708	233,841	222,315
Total Operating Expenses	<u>64,263</u>	<u>1,648,378</u>	<u>1,665,739</u>
Operating Income (Loss)	<u>9,664</u>	<u>324,960</u>	<u>271,147</u>

**NONOPERATING REVENUES (EXPENSES)**

Investment and Interest Income	1,672	28,012	18,046
Interest Expense	(19)	(172,125)	(162,969)
Amortization of Bonds Premiums and Discounts, Net	—	27,013	24,657
Amortization of Refunding Gain (Loss)	—	(7,173)	(6,977)
Bond Issuance Costs	—	(2,167)	(1,511)
Gain (Loss) on Sale of Capital Assets	—	753	(83)
Contributions and Grants	—	10,616	1,834
Others, Net	<u>—</u>	<u>17,135</u>	<u>9,523</u>
Total Nonoperating Revenues (Expenses)	<u>1,653</u>	<u>(97,936)</u>	<u>(117,480)</u>

Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items

Capital Contributions and Grants	—	90,351	70,020
Transfers In	—	—	6,320
Transfers Out	—	—	—
Environmental Remediation	<u>—</u>	<u>(40,700)</u>	<u>(9,619)</u>
Change in Net Position	<u>11,317</u>	<u>276,675</u>	<u>220,388</u>
Net Position - Beginning of Year	<u>9,698</u>	<u>2,198,259</u>	<u>1,977,871</u>
Prior-Year Adjustment	<u>(153)</u>	<u>(1,345)</u>	<u>—</u>
Net Position - Beginning of Year as Restated	<u>9,545</u>	<u>2,196,914</u>	<u>1,977,871</u>
Net Position - End of Year	<u>\$ 20,862</u>	<u>2,473,591</u>	<u>2,198,259</u>

Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Net Position of Business-Type Activities	\$ 2,536,891	\$ 2,244,617	
Change in Net Position as above	\$ 276,675	\$ 220,388	
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	16,942	10,020	
Adjusted Change in Net Position of Business-Type Activities	<u>\$ 293,619</u>	<u>\$ 230,408</u>	

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	Comparative Totals	
	2018	2017
<b>OPERATING REVENUES</b>		
Charges for Services and Other Revenues	\$ 401,495	413,134
<b>OPERATING EXPENSES</b>		
Long-Term Purchased Power	—	—
Short-Term Wholesale Power Purchases	—	—
Generation	—	—
Transmission	—	—
Distribution	—	—
Conservation and Other Power Expenses	—	—
Planning and Development	—	—
Utility Systems Management	—	—
Field Operations	—	—
Project Delivery	—	—
Customer Services	—	—
Wastewater Treatment	—	—
Solid Waste Collection	—	—
Operations and Maintenance	260,594	281,998
General and Administrative	45,074	65,414
City Business and Occupation Taxes	4	5
Other Taxes	865	602
Amortization of Landfill and Postclosure Costs	—	—
Depreciation and Other Amortization	48,472	40,307
Total Operating Expenses	<u>355,009</u>	<u>388,326</u>
Operating Income (Loss)	46,486	24,808
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	1,765	1,172
Interest Expense	(9,338)	(10,546)
Amortization of Bonds Premiums and Discounts, Net	3,533	3,814
Amortization of Refunding Gain (Loss)	(1,818)	(1,818)
Bond Issuance Costs	(27)	(32)
Gain (Loss) on Sale of Capital Assets	14,911	55
Contributions and Grants	—	—
Others, Net	—	12
Total Nonoperating Revenues (Expenses)	<u>9,026</u>	<u>(7,343)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	55,512	17,465
Capital Contributions and Grants	66,305	2,465
Transfers In	6,546	—
Transfers Out	(32,750)	(9,100)
Environmental Remediation	—	—
Change in Net Position	95,613	10,830
Net Position - Beginning of Year	441,654	430,824
Prior-Year Adjustment	(2,017)	—
Net Position - Beginning of Year as Restated	<u>439,637</u>	<u>430,824</u>
Net Position - End of Year	<u>\$ 535,250</u>	<u>\$ 441,654</u>

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	L i g h t	W a t e r	Drainage and Wastewater	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 965,029	\$ 267,476	\$ 394,453	\$ 208,769
Cash Paid to Suppliers	(333,351)	(36,446)	(207,654)	(126,189)
Cash Paid to Employees	(158,749)	(50,549)	(43,183)	(22,119)
Cash Paid for Taxes	(92,568)	(44,161)	(54,722)	(28,839)
Net Cash from Operating Activities	380,361	136,320	88,894	31,622
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(48,627)	—	—	—
Interest Paid on Long-Term Debt	(9,153)	—	—	—
Operating Grants Received	649	5,533	7,117	294
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	6,560	—	—	—
Payments to Vendors on Behalf of Customers for Conservation	(24,203)	—	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	49	(4,613)	—
Net Cash from Noncapital Financing Activities	(74,774)	5,582	2,504	294
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	462,515	—	—	—
Principal Payments on Long-Term Debt and Refunding	(107,492)	(43,331)	(24,276)	(6,888)
Capital Expenses and Other Charges Paid	(391,687)	(67,717)	(82,773)	(8,541)
Interest Paid on Long-Term Debt	(91,575)	(39,049)	(36,427)	(9,103)
Capital Fees and Grants Received	28,811	25,193	2,557	—
Payment to Trustee for Defeased Bonds	(198,220)	—	—	—
Interest Received for Suburban Infrastructure Improvements	2,632	—	—	—
Debt Issuance Costs	(2,167)	—	—	—
Proceeds from Sale of Capital Assets	—	315	338	57
Net Cash from Capital and Related Financing Activities	(297,183)	(124,589)	(140,581)	(24,475)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>				
Interest and Investment Income (Loss)	8,872	2,982	7,236	1,651
Net Cash from Investing Activities	8,872	2,982	7,236	1,651
Net Increase (Decrease) in Cash and Equity in Pooled Investments	17,276	20,295	(41,947)	9,092
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	381,554	217,890	378,683	108,250
End of Year	\$ 398,830	\$ 238,185	\$ 336,736	\$ 117,343
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 135,100	\$ 93,941	\$ 184,600	\$ 59,393
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	263,730	144,245	152,136	57,950
Total Cash at the End of the Year	\$ 398,830	\$ 238,186	\$ 336,736	\$ 117,343

<sup>a</sup> Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

**CASH FLOWS FROM OPERATING ACTIVITIES**

	Business-Type Activities - Enterprise Funds		
	Nonmajor Funds	2018	Comparative Totals 2017
Cash Received from Customers	\$ 75,609	\$ 1,911,336	\$ 1,925,677
Cash Paid to Suppliers	(37,693)	(741,333)	(717,423)
Cash Paid to Employees	(27,413)	(302,013)	(349,735)
Cash Paid for Taxes	—	(220,290)	(214,895)
Net Cash from Operating Activities	10,503	647,700	643,624

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

	Nonmajor Funds	2018	Comparative Totals 2017
Principal Payments on Long-Term Debt and Interfund Loans	—	(48,627)	(38,009)
Interest Paid on Long-Term Debt	—	(9,153)	(8,229)
Operating Grants Received	—	13,593	2,132
Transfers In	—	—	6,320
Transfers Out	—	—	—
Bonneville Receipts for Conservation	—	6,560	5,162
Payments to Vendors on Behalf of Customers for Conservation	—	(24,203)	(31,759)
Loans Provided to Other Funds	—	—	—
Proceeds from Interfund Loans	—	—	—
Payments for Environmental Liabilities	—	(4,564)	(4,987)
Net Cash from Noncapital Financing Activities	—	(66,394)	(69,370)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

	Nonmajor Funds	2018	Comparative Totals 2017
Proceeds from Sale of Bonds and Other Long-Term Debt	—	462,515	1,003,347
Principal Payments on Long-Term Debt and Refunding	—	(181,987)	(346,432)
Capital Expenses and Other Charges Paid	238	(550,480)	(550,120)
Interest Paid on Long-Term Debt	—	(176,154)	(165,555)
Capital Fees and Grants Received	—	56,561	60,504
Payment to Trustee for Defeased Bonds	—	(198,220)	(163,588)
Interest Received for Suburban Infrastructure Improvements	—	2,632	2,323
Debt Issuance Costs	—	(2,167)	(3,389)
Proceeds from Sale of Capital Assets	—	710	2,713
Net Cash from Capital and Related Financing Activities	238	(586,590)	(160,197)

**CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup>**

	Nonmajor Funds	2018	Comparative Totals 2017
Interest and Investment Income (Loss)	1,672	22,413	12,836
Net Cash from Investing Activities	1,672	22,413	12,836
Net Increase (Decrease) in Cash and Equity in Pooled Investments	\$ 12,413	\$ 17,129	426,893

**CASH AND EQUITY IN POOLED INVESTMENTS**

	Nonmajor Funds	2018	Comparative Totals 2017
Beginning of Year	83,758	1,170,134	743,242
End of Year	\$ 96,171	\$ 1,187,265	\$ 1,170,135
Net Increase (Decrease) in Cash and Equity in Pooled Investments	\$ 96,130	\$ 569,164	\$ 487,573
Current Restricted Cash and Equity in Pooled Investments	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	41	618,102	682,562
Total Cash at the End of the Year	\$ 96,171	\$ 1,187,266	\$ 1,170,135

<sup>a</sup> Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

# The City of Seattle

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**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2018	Comparative Totals 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 393,623	\$ 412,431
Cash Paid to Suppliers	(118,750)	(192,432)
Cash Paid to Employees	(166,840)	(138,509)
Cash Paid for Taxes	(863)	(600)
Net Cash from Operating Activities	107,170	80,890
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt and Interfund Loans	—	—
Interest Paid on Long-Term Debt	—	—
Operating Grants Received	584	—
Transfers In	6,546	—
Transfers Out	(32,750)	(9,100)
Bonneville Receipts for Conservation	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—
Loans Provided to Other Funds	51	—
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(25,569)	(9,100)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Bonds and Other Long-Term Debt	—	7,335
Principal Payments on Long-Term Debt and Refunding	(21,796)	(26,518)
Capital Expenses and Other Charges Paid	(118,712)	(28,986)
Interest Paid on Long-Term Debt	(9,795)	(10,244)
Capital Fees and Grants Received	65,721	2,465
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(27)	(32)
Proceeds from Sale of Capital Assets	14,936	1,382
Net Cash from Capital and Related Financing Activities	(69,673)	(54,598)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>		
Interest and Investment Income (Loss)	1,763	1,218
Net Cash from Investing Activities	1,763	1,218
Net Increase (Decrease) in Cash and Equity in Pooled Investments	13,691	18,410
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	89,066	72,951
End of Year	\$ 102,757	\$ 91,361
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 5,863	\$ 10,062
Current Restricted Cash and Equity in Pooled Investments	10,217	7,968
Noncurrent Restricted Cash and Equity in Pooled Investments	86,677	73,330
Total Cash at the End of the Year	\$ 102,757	\$ 91,360

<sup>a</sup> Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

Business-Type Activities - Enterprise Funds						
	L i g h t	W a t e r	D r a i n a g e a n d W a s t e w a t e r	S o l i d W a s t e		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 168,375	\$ 71,727	\$ 64,296	\$ 10,898		
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>						
Depreciation and Amortization	123,956	56,109	38,162	14,906		
Depreciation Charged to O&M Accounts	5,497	—	—	—		
Amortization of Other Liabilities and Other Operating Expenses	(1,720)	—	(5,890)	—		
Nonoperating Revenues and Expenses	65,589	9,213	1,448	35		
Changes in Operating Assets and Liabilities						
Accounts Receivable	(515)	(972)	(1,069)	(965)		
Unbilled Receivables	14,724	(350)	(1,299)	(108)		
Other Receivables	(4,491)	—	—	—		
Due from Other Funds	—	(17,137)	(14,597)	(2,989)		
Due from Other Governments	—	(8,285)	(1,985)	(747)		
Materials and Supplies Inventory	(5,619)	(751)	(104)	1		
Accounts Payable	22,275	5,238	4,944	931		
Salaries, Benefits, and Payroll Taxes Payable	—	(1,035)	(1,061)	(440)		
Compensated Absences Payable	—	(582)	(595)	(208)		
Due to Other Funds	—	15,789	7,618	(210)		
Due to Other Governments	—	(10)	(4,594)	—		
Claims Payable	(13,724)	(1,712)	(435)	(15)		
Taxes Payable	—	901	199	28		
Unearned Revenues and Other Credits	—	—	—	—		
Other Assets and Liabilities	2,496	(317)	3,856	(248)		
Rate Stabilization	3,518	8,494	—	10,753		
Total Adjustments	<u>211,986</u>	<u>64,593</u>	<u>24,598</u>	<u>20,724</u>		
Net Cash from Operating Activities	<u><u>\$ 380,361</u></u>	<u><u>\$ 136,320</u></u>	<u><u>\$ 88,894</u></u>	<u><u>\$ 31,622</u></u>		
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>						
In-Kind Capital Contributions	\$ 3,413	\$ 4,388	\$ —	\$ —		
Amortization of Debt Related Costs, Net	12,821	—	—	—		
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—		
Allowance for Funds Used During Construction	12,104	—	—	—		
Power Exchange Revenues	17,456	—	—	—		
Power Exchange Expenses	(18,331)	—	—	—		
Power Revenue Netted against Power Expenses	5,906	—	—	—		
Power Expense Netted against Power Revenues	(8,626)	—	—	—		
Settlement from Nextel	—	—	—	—		
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 24,743</u>	<u>\$ 4,388</u>	<u>\$ —</u>	<u>\$ —</u>		

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds		
	Nonmajor Funds	2018	Comparative Totals 2017
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 9,664	\$ 324,960	\$ 271,147
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>			
Depreciation and Amortization	708	233,841	222,315
Depreciation Charged to O&M Accounts	—	5,497	7,375
Amortization of Other Liabilities and Other Operating Expenses	(469)	(8,079)	3,609
Nonoperating Revenues and Expenses	—	76,285	68,632
Changes in Operating Assets and Liabilities			
Accounts Receivable	(711)	(4,232)	22,252
Unbilled Receivables	—	12,967	(15,932)
Other Receivables	—	(4,491)	4,753
Due from Other Funds	(2,449)	(37,172)	3,073
Due from Other Governments	215	(10,802)	5,526
Materials and Supplies Inventory	—	(6,473)	7,750
Accounts Payable	97	33,485	15,524
Salaries, Benefits, and Payroll Taxes Payable	270	(2,266)	1,336
Compensated Absences Payable	(107)	(1,492)	172
Due to Other Funds	(989)	22,208	391
Due to Other Governments	(4)	(4,608)	5,283
Claims Payable	(244)	(16,130)	1,625
Taxes Payable	—	1,128	230
Unearned Revenues and Other Credits	4,626	4,626	8,062
Other Assets and Liabilities	(104)	5,683	2,284
Rate Stabilization	—	22,765	8,216
Total Adjustments	<u>839</u>	<u>322,740</u>	<u>372,477</u>
Net Cash from Operating Activities	<u>\$ 10,503</u>	<u>\$ 647,700</u>	<u>\$ 643,624</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
In-Kind Capital Contributions	\$ —	\$ 7,801	\$ 9,461
Amortization of Debt Related Costs, Net	—	12,821	11,185
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—
Allowance for Funds Used During Construction	—	12,104	11,978
Power Exchange Revenues	—	17,456	14,975
Power Exchange Expenses	—	(18,331)	(14,995)
Power Revenue Netted against Power Expenses	—	5,906	5,436
Power Expense Netted against Power Revenues	—	(8,626)	(9,846)
Settlement from Nextel	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ 29,131</u>	<u>\$ 28,194</u>

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2018	Comparative Totals 2017
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 46,486	\$ 24,808
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	48,472	40,307
Depreciation Charged to O&M Accounts	—	—
Amortization of Other Liabilities and Other Operating Expenses	7,149	17,939
Nonoperating Revenues and Expenses	—	12
Changes in Operating Assets and Liabilities		
Accounts Receivable	(1,361)	86
Unbilled Receivables	17	629
Other Receivables	—	—
Due from Other Funds	(7,169)	(1,329)
Due from Other Governments	11	(91)
Materials and Supplies Inventory	456	(1,289)
Accounts Payable	872	1,406
Salaries, Benefits, and Payroll Taxes Payable	441	751
Compensated Absences Payable	(1,404)	3,696
Due to Other Funds	6,120	(1,414)
Due to Other Governments	—	1
Claims Payable	(194)	(228)
Taxes Payable	25	31
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	7,249	(4,423)
Rate Stabilization	—	—
Total Adjustments	60,684	56,084
Net Cash from Operating Activities	\$ 107,170	\$ 80,890
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
In-Kind Capital Contributions	\$ —	\$ 8,075
Amortization of Debt Related Costs, Net	1,688	1,964
Change in Valuation of Power Exchange Assets or Liabilities	—	—
Allowance for Funds Used During Construction	—	—
Power Exchange Revenues	—	—
Power Exchange Expenses	—	—
Power Revenue Netted against Power Expenses	—	—
Power Expense Netted against Power Revenues	—	—
Settlement from Nextel	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 1,688	\$ 10,039

The accompanying notes are an integral part of these financial statements

**FIDUCIARY FUNDS**

**PRIVATE-PURPOSE TRUST FUND**

The **S. L. Denny Fund** holds a nonexpendable gift. The investment income is available for aid to disabled firemen.

Descriptions for the pension trust funds and agency funds are provided in the Combining Statements and Other Supplementary Information section.

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## STATEMENT OF FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

**December 31, 2018**

*(In Thousands)*

	<b>Employees' Retirement Fund</b>	<b>S. L. Denny Private-Purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 4,893	\$ 227	18,560
Short-Term Investments	56,938	—	—
<b>Receivables</b>			
Members	4,689	—	—
Employers	6,299	—	—
Interest and Dividends	4,602	—	—
Sales Proceeds	78,453	—	—
Other	—	—	124
Total Receivables	94,043	—	124
<b>Investments at Fair Value</b>			
Fixed Income	795,614	—	—
Equity	1,569,484	—	—
Real Estate	336,398	—	—
Alternative Investments	54,123	—	—
Total Investments at Fair Value	2,755,619	—	—
Securities Lending Collateral	4,835	—	—
Total Assets	2,916,328	227	18,684
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	4,434	—	1,854
Salaries, Benefits, and Payroll Taxes Payable	—	(907)	—
Deposits Payable	—	—	14,823
Claims/Judgments Payable	—	—	2,914
Securities Lending Collateral	4,820	—	—
Investment Commitments Payable	189,636	—	—
Total Liabilities	198,890	—	18,684
Net Position Restricted for Pensions	<u>\$ 2,717,438</u>	<u>\$ 227</u>	<u>\$ —</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Employees' Retirement Fund	S.L. Denny Private-Purpose Trust
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer	\$ 117,816	\$ —
Plan Member	76,285	—
Total Contributions	<hr/> 194,101	<hr/> —
<b>Investment Income</b>		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	(132,318)	—
Interest	17,458	5
Dividends	20,629	—
Total Investment Activities Income	<hr/> (94,231)	<hr/> 5
Investment Activities Expenses		
Investment Management Fees	10,890	—
Investment Consultant Fees	295	—
Investment Custodial Fees	1,214	—
Total Investment Activities Expenses	<hr/> 12,399	<hr/> —
Net Income from Investment Activities	<hr/> (106,630)	<hr/> 5
From Securities Lending Activities		
Securities Lending Income	205	—
Borrower Rebates	(127)	—
Total Securities Lending Income	<hr/> 78	<hr/> —
Securities Lending Expenses		
Management Fees	18	—
Total Securities Lending Expenses	<hr/> 18	<hr/> —
Net Income from Securities Lending Activities	<hr/> 60	<hr/> —
Total Net Investment Income	<hr/> (106,570)	<hr/> 5
Other Income	<hr/> —	<hr/> —
Total Additions	<hr/> 87,531	<hr/> 5
<b>DEDUCTIONS</b>		
Benefits	190,475	—
Refund of Contributions	20,288	—
Administrative Expense	12,201	—
Total Deductions	<hr/> 222,964	<hr/> —
Change in Net Position	<hr/> (135,433)	<hr/> 5
Net Position - Beginning of Year	<hr/> 2,852,871	<hr/> 222
Net Position - End of Year	<hr/> <hr/> \$ 2,717,438	<hr/> <hr/> \$ 227

# NOTES TO FINANCIAL STATEMENTS

**December 31, 2018**

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Seattle (the City) are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental unit. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

### REPORTING ENTITY

The City was incorporated in 1869 with a mayor-council form of government. From 1922 to 2013, the City's nine council members were elected at large, rather than by geographic subdivisions. As a result of a ballot measure passed on November 5, 2013, it changed to a hybrid system of seven district members and two at-large members. The only other elected offices are the City Attorney and Municipal Court judges. Like some other parts of the United States, government and laws are also run by a series of ballot initiatives (allowing citizens to pass or reject laws), referenda (allowing citizens to approve or reject legislation already passed), and propositions (allowing specific government agencies to propose new laws or tax increases directly to the people).

As required by generally accepted accounting principles the financial statements present the City, the primary government and its component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The financial statements include the organizations for which the elected officials of the City are financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Appointment by the City of a majority of voting members of the governing body of an organization, and
  - Ability of the City to impose its will on the daily operations of an organization, such as the power to remove appointed members at will; to modify or approve budgets, rates, or fees; or to make other substantive decisions; or
  - Provisions by the organization of specific financial benefits to the City; or
  - Imposition by any organization of specific financial burdens on the City, such as the assumption of deficits or provision of support;
- Or, fiscal dependency by the organization on the City, such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

The City presents its component units information in Note 12.

### Organizations Excluded: Related Organizations

The City is also responsible for appointing the members of the governing body of the following organizations, but the accountability for these organizations do not extend beyond making the appointment. These organizations are excluded from the City's financial statements:

- Housing Authority of the City of Seattle
- City of Seattle Industrial Development Corporation
- Burke-Gilman Place Public Development Authority

## Joint Venture

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility. The City participates in a joint venture with King County with regard to the Seattle-King County Work Force Development Council.

## ACCOUNTING STANDARDS

In 2018, the City fully implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This statement applies to OPEB that is provided to employees of state and local governmental employers. This statement requires OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to be recognized and reported in the government's financial statements. The implementation of this statement resulted in a net restatement to the 2018 beginning balance of (\$498.7) million. See Note 17 for restatements.

In 2018, the City fully implemented GASB Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements, including blending component units, goodwill, fair value measurement, pension and OPEB. The application of GASB statement 85 has no significant impacts on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* is effective for 2018. This statement provides guidance for accounting for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. The City has evaluated this statement and determined this statement is not applicable to the City at this time.

In 2017, the City fully implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement applies to pension plans that either do not have any dedicated assets associated with them or have assets that are not in an irrevocable trust meeting certain requirements. The statement requires a liability for pension obligations, known as the Total Pension Liability to be recognized on the balance sheets of participating employers. The City's Firemen's Pension and Police Relief Pension were impacted by this statement. See Note 11 for pension plans and their related accounting.

In 2017, the City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement applies to Other Postemployment Benefits (OPEB) administered through trusts. This statement also includes requirements for reporting assets accumulated for providing defined benefit OPEB through OPEB plans that are not administered through trusts.

In 2017, the City implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units - As Amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB statement No. 80 has no significant impacts on the City's financial statements.

In 2017, the City implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 has no significant impacts on the City's financial statements.

In 2017, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Pension and required disclosure and information are reported in accordance with this statement.

In 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

In 2016, the City implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55 and reduces the GAAP hierarchy to two categories. It requires the City to follow GASB statements as applicable; for clarifications, the City is required to refer to the reference materials in this sequence - GASB Technical Bulletins, GASB Implementation Guides and Literature of the AICPA cleared by GASB. The implementation of GASB statement No. 76 has no significant impacts on the City's financial statements.

In 2016, the City implemented GASB Statement No. 77, Tax Abatement Disclosures. This statement requires governments that enter tax abatement agreements to disclose the following information about the agreements: Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. The gross dollar amount of taxes abated during the period. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

In 2016, the City implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

## BASIS OF PRESENTATION - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Resources of fiduciary activities, which are not available to finance governmental programs, are excluded from the government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

### Statement of Net Position

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between government-wide (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources is net position. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted.

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, deferred inflow and outflow resources attributable to capital assets, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed bylaw through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not "net investment in capital assets" or "restricted."

### Statement of Activities

The Statement of Activities displays the degree to which the direct expenses of a given function or segment is funded by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Direct expenses include depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel

functions are reported as indirect expenses. Our policy is to allocate indirect costs to a specific function or segment. Program revenues are revenues derived directly from the program itself. These revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activities within governmental funds or within enterprise funds of the City are eliminated. The effects of interfund services provided and used between functions are not eliminated, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or loss reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

## Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Major individual governmental funds and major individual enterprise funds are presented in separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.

The Transportation Fund accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, disposition, or use of motor vehicle fuel; motor vehicle excise taxes designated for street purposes; and grants.

The City reports the following major proprietary funds:

The Light Fund accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Light Fund supplies electricity to approximately 461,500 customers in the Seattle area as well as to other city agencies.

The Water Fund accounts for operating the City's water utility. The fund was established to account for activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors, such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

The Drainage and Wastewater Fund accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities and pumping stations collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

The Solid Waste Fund accounts for the collection and disposal of residential and commercial garbage, compostables, and other recyclable materials; operation of transfer stations and hazardous waste facilities; and management of the post-closure maintenance and environmental monitoring of the City's two closed landfills. The collection and disposal or processing of garbage, yard waste, and recyclable materials is performed by private companies under contract with the Solid Waste Fund.

Additionally, the City reports the following fund types:

Internal service funds account for support services provided to other City departments, such as motor pool, office space, financial services, managing the design and construction phases of capital improvement projects, telecommunications, data communications, and radio systems.

Fiduciary funds account for assets held in a trustee or agency capacity. Fiduciary funds include the Employees' Retirement Fund, S. L. Denny Fund and agency funds. The Employees' Retirement Fund receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. The S. L. Denny Fund, a private-purpose trust, which holds a nonexpendable gift. Investment income is available to aid disabled firemen. The City uses agency funds to report assets that are held in a custodial relationship. Agency funds are not used to support the government's own programs and so these funds are excluded from the government-wide financial statements. The City reports the following as agency funds: Guaranty Deposits, Payroll Withholding, FileLocal Agency Fund, Regulatory Agency Fund, and Fire Fighters Healthcare Fund.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

### Government-wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

### Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues that are measurable but not available are recorded as receivables and offset by deferred inflows of resources.

Property taxes, business and occupation taxes, and other taxpayer-assessed tax revenues that are due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Special assessments are recognized as revenues only to the extent that those individual installments are considered as current assets. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues received but not earned are recorded as unearned revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures generally are recorded when a liability is incurred, regardless of when payment is made, based on accrual accounting. However, debt service expenditure, judgments and claims, worker's compensation, and compensated absences are recorded only when payment is due.

### Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability incurred, regardless of the timing of the cash flows. Certain costs in the enterprise funds are reported as an asset and expensed in future years when costs are allocated to those years, and as the utility rates recover these costs.

The revenues of the four utilities, which are based upon service rates authorized by the City Council, are determined by monthly or bimonthly billings to customers. Amounts received but not earned at year-end are reported as unearned revenues. Earned but unbilled revenues are accrued as revenues and receivable.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities,

the Downtown Parking Garage, the Construction and Inspections Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of personnel services, contractual services, other supplies and expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Fiduciary Fund Financial Statements

Financial statements for the pension trust and private-purpose trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position of the retirement funds are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Agency funds, unlike the other types of fiduciary funds, report only assets and liabilities. Agency funds do not have a measurement focus since they do not report equity and cannot present an operating statement reporting changes in equity. They, however, use the accrual basis of accounting for reporting assets and liabilities.

## Prior-Year Comparative Data/Reclassification

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

As a result of the City's financial system upgrade in 2018, the City re-grouped certain funds and accounts. Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year presentation. These reclassifications had no effect on the operating results of the funds.

## Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The City used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, asset life, claims payable, environmental liabilities, employee benefits, post-employment benefits, and other contingencies. Actual results may differ from those estimates.

## BUDGET INFORMATION

Budgetary accounts are integrated in the fund database for all budgeted funds, including capital improvement projects funds. However, the annual financial report includes budgetary comparisons for general fund and for each major special revenue fund that has a legally adopted annual/biennial budget. Note 2, Stewardship, Compliance, and Accountability discusses in detail the City's budgetary policies and processes.

## ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

### Cash and Investments

The City is authorized to purchase U.S. Treasury and government agency securities, certificates of deposits, and other investment deposits issued by Washington State depositories that qualify under the Washington State Deposit Protection Act as defined by RCW 39.58, bankers' acceptances purchased in the secondary market, commercial paper purchased in the secondary market and having received the highest rating by at least two nationally recognized rating agencies, repurchase and reverse repurchase agreements with "primary dealers" that have executed master repurchase agreements, public funds in the local government investment pool (LGIP) in the State Treasury, and other securities as authorized by law.

# The City of Seattle

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The City and the City Employees' Retirement System are also allowed under state law to make securities lending transactions. Gross income from securities lending transactions, as well as the various fees paid to the institution that oversees the lending activity, is recorded in the operating statements. Assets and liabilities include the value of the collateral that is being held. Under the authority of RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Securities lent must be collateralized with cash or securities having 102 percent of the market value of the loaned securities. The City and the Retirement System cannot pledge or sell collateral securities without a borrower default.

Under the City's investment policy all temporary cash surpluses are invested, either directly or through a "sweep account." Pooled investments are reported on the combined balance sheets as Cash and Equity in Pooled Investments. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned.

Since the participating funds in the City's internal investment pool use the pool as if it were a demand deposit account, the proprietary fund equity in pooled investments is considered cash for cash flow reporting purposes.

Investments are recorded at fair value based on the market approach valuation technique. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Additional information on fair value measurement can be found in Note 2.

The City of Seattle has the following policies in managing its investments:

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule" promulgated under the Uniform Prudent Investor Act (UPIA) of 1994.
- Investments shall generally be held until maturity except for a security with declining credit may be sold early to minimize the loss of principal; a security swap that would improve the quality, yield, or duration of the portfolio; liquidity needs of the portfolio require that a security be sold early.

The Seattle City Employees' Retirement System has its investment management policies set by the Retirement Board. State law allows the System to invest in longer term maturities and in a broader variety of securities, such as real estate and equity issues. The Board policies require that investments in any one corporation or organization may not exceed five percent of net position available for benefits. Less than five percent of plan assets can be invested in derivative securities. All derivatives are high quality non-leveraged securities consisting of collateralized mortgage obligations (CMOs), Treasury strips, convertible bonds, futures, options, etc. These derivatives cause little exposure to credit risk, market risk, or legal risk.

## **Receivables Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable**

Taxes receivables consist of property taxes and general business and occupation taxes. See Note 3 Receivables for additional information. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations including amounts owed for which billings have not been prepared. Notes and contracts receivable arise from written agreements or contracts with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 3.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

## **Inventories and Supplies**

Inventories and supplies consist of expendable materials and supplies held for consumption. These amounts are recorded as expenditures in governmental funds at the time these items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current position. For proprietary funds these amounts are expensed as consumed. Unconsumed amounts are generally valued using the weighted-average cost method, which approximates the market value.

## **Capital Assets**

Capital assets, which include land, land rights, plants, buildings and improvements, machinery and equipment, and infrastructure assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value (an entry price) at the time of donation. For proprietary funds, contributions of capital assets are reported under Capital Contributions and Grants in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are immediately expensed.

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs are established based on the City's street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the cost is estimated by deflating the current replacement cost using the appropriate price index.

Construction in progress can be declared: complete, held for future use, or abandon. Associated costs related to these declarations are reclassified as: capital assets, assets held for future use, or expense, respectively.

All exhaustible capital assets are depreciated. Annual depreciation is recorded in government-wide financial statements as an expense of the governmental function for which the assets are being used. Depreciation is computed using the straight-line method over estimated service lives as follows:

Utility plant in service	33 - 100 years
Buildings	25 - 50 years
Improvements other than buildings	25 - 50 years
Infrastructure	10 - 50 years
Machinery and equipment	2 - 25 years

In addition to the capital asset conventions followed by governmental funds, regulated enterprise funds use industry-specific accounting techniques such as: mass-asset accounting and recording provisions for cost-of-removal of capital assets. The result of these techniques can be the reporting of accumulated depreciation in excess of the costs of capital assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner in the government-wide financial statements.

## Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes. Specific debt service reserve requirements are described in Note 9, Long-term Debt.

The restricted assets of the enterprise funds are composed of the following:

As of December 31, 2018, SCL reported four restricted assets 1) \$96.9 million of rate stabilization account, 2) \$128.1 million of bond reserve account, 3) \$0.6 million of construction account, and 4) \$38.1 million of special deposits and other restricted assets.

SPU reported a total amount of \$354.3 million restricted cash and equity in pooled investments as of December 31, 2018. The restricted cash and equity in pooled investments are comprised of unexpended bond proceeds, bond reserve funds and rate stabilization account.

## Other Charges

Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Costs related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. Conservation program costs in SCL and Water Fund which result in long-term benefits and reduce or postpone other capital expenditures are capitalized and amortized over their expected useful lives due to the Utilities' capital financing plans and rate-setting methodology. Costs of administering the overall program are expensed as incurred.

## Prepaid Items

Payments made in advance to vendors for certain goods or services, such as building rent, that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures/expenses are recognized in the period of consumption or occupancy. Prepays recorded in governmental type funds do not reflect current appropriated resources and, as such shall be reported as nonspendable fund balance. The City recognizes a reserve of fund balance for prepaid items only when the amount in the fund is material to the financial statement.

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditures) until then. There are two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflow of resources for pensions and OPEB reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions and OPEB results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred

inflows of resources reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates. The deferred inflows of resources on pensions and OPEB are reported in the government-wide Statement of Net Position. The deferred inflows of resources on pensions results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions. The deferred inflows of resources-advanced grants is reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet, representing grants received before meeting time requirements, but after all other eligibility requirements have been met. The deferred inflows of resources-unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, district court receivables and abatement receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

See Note 4 for additional information of deferred outflows and inflows of resources.

## **Compensated Absences**

Compensated absences consist of: vacation pay, sick pay, and other compensated absences. Vacation pay is comprised of unused vacation earned by employees. Vacation is earned based upon the date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation balances remaining at retirement or termination are considered vested and payable to the employee. Sick pay is comprised of unused sick pay earned by employees. Employees earn up to 12 days of sick leave per year; there is no limit to the amount of sick leave an employee can accumulate. Employees terminated due to retirement can receive a portion of their unused sick leave balance as a cash benefit payable to either the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association, the City's 457 Plan and Trust, or the employee. Other compensated absences include compensatory time in lieu of overtime pay, merit credits earned by fire fighters, furlough earned by police, holiday earned by library and police employees, and other compensation earned by City employees under law or union contracts. Unused other compensated absences are vested and payable at retirement or termination. Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net Position. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

## **Claims Payable**

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City's average investment rate of return (Note 15 Contingencies).

## **Other Accrued Liabilities**

Other accrued liabilities include deposits, interest payable on obligations, lease-purchase agreements, and revenues collected in advance.

## **Interfund Activity and Contracts/Advances**

Interfund activity and balances in the funds are eliminated or reclassified in the process of aggregating data for the Statement of Net Position and the Statement of Activities. Several funds are combined into one single general fund and thus, interfund activity and balances are eliminated on the fund financial statements.

Interfund debt is recorded in the appropriate funds even though such debt may result in a noncurrent liability for a governmental fund because the debt is not a general obligation of the City.

## **Unearned Revenues**

Unearned revenues include amounts collected or billed in advance of providing the service. The balances consist primarily of contract revenues, grant funds received in advance of expenditures, portions of local improvement districts special assessments that are due in succeeding years in governmental funds, and the amounts loaned by the Housing and Community Development Revenue Sharing Fund, a special revenue fund, under authorized federal loan programs.

## Long-Term Obligations

Long-term obligations are described in Note 9.

## Fund Balances

Fund balances are based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balances are classified according to these constraints as follows:

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact;
- Restricted fund balances are restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- Committed fund balances can only be used for specific purposes ordained by the City Council. The Council can by ordinance establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. These constraints are authorized, through the budgeting process, by the Director of the City Budget Office in accordance with SMC 3.14.100. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

The flow assumption is to consider restricted amounts have been spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. The flow assumption of the City is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

## General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2018, the RSA reported an ending fund balance of \$50.2 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approve by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other reimbursements the City may receive. At the end of fiscal year 2018, the Emergency Subfund reported an ending fund balance of \$63.2 million.

A summary of governmental fund balances at December 31, 2018, is as follows:

**Table 1-1**

**GOVERNMENTAL FUND BALANCES**  
*(In Thousands)*

Fund Balances	General	Transportation	Other Governmental	Total
Nonspendable				
Not in spendable form <sup>a</sup>	\$ 93	\$ —	\$ 740	\$ 832
Legally or contractually required to be maintained intact	—	—	2,050	2,050
Restricted				
General	4,772	—	3,413	8,185
Capital and Continuing Programs	121,186	—	70,194	191,379
Library	12,484	—	6,168	18,651
Transportation	—	83,963	64,858	148,821
Low-Income Housing	—	—	234,904	234,904
Health Care Reserve	77,179	—	—	77,179
Parks and Recreation	—	—	60,013	60,013
Legal Settlement	—	—	—	—
Pike Place Market Renovation	—	—	381	381
Seattle Center	—	—	2,862	2,862
Wheelchair Accessibility	—	—	5,129	5,129
Human Services	—	—	11,927	11,927
Department of Education	—	—	75,006	75,006
Municipal Arts	—	—	10,513	10,513
Debt Service	—	—	11,694	11,694
General Trust	—	—	3,393	3,393
General Donation and Gift Trusts	—	—	3,653	3,653
Permanent Funds	—	—	175	175
Committed				
General	2,957	—	—	2,957
Capital and Continuing Programs	32,489	—	—	32,489
Library	3,684	—	—	3,684
Transportation	—	44,258	—	44,258
Standard Labor	266	—	—	266
Judgment and Claims	8,454	—	—	8,454
Election Vouchers	—	—	5,485	5,485
Cable Television Franchise	1,096	—	—	1,096
Employee Benefit Trust Funds	8,488	—	—	8,488
Seattle Center	—	—	2,891	2,891
Human Services	—	—	4,367	4,367
Municipal Arts	4,773	—	—	4,773
Fire and Police Pension	26,588	—	—	26,588
Assigned				
General	25,042	—	—	25,042
Library	1,350	—	—	1,350
Transportation	—	—	1,026	1,026
Parks and Recreation	—	—	8,409	8,409
Human Services	—	—	1,367	1,367
Office of Housing	—	—	2,113	2,113
Unassigned				
General	38,898	—	—	38,898
Capital and Continuing Programs	50,225	—	(13,403)	36,822
Transportation	—	—	—	—
Transit Benefit	—	(16,788)	—	(16,788)
Emergency Subfund	63,245	—	—	63,245
Seattle Streetcar	—	—	(3,195)	(3,195)
Total	<u>\$ 483,266</u>	<u>\$ 111,432</u>	<u>\$ 576,131</u>	<u>\$ 1,170,829</u>

<sup>a</sup> Resource that cannot be spent due to their form, such as inventory and prepaid items.

## (2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### BUDGETARY INFORMATION

The City budgets for the General Fund, the Library Fund, and some special revenue funds on an annual basis. The special revenue funds which have legally adopted annual budgets are the Parks and Recreation Fund, the Transportation Fund, the Seattle Center Fund, the Human Services Operating Fund, the Office of Housing Fund, and the Low-Income Housing Fund.

The City Council approves the City's operating budget through the adopted budget ordinance. In addition, the City Council annually approves two separate but related financial planning documents: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget is designed to allocate available resources on a biennial basis among the City's public services and programs and provides for associated financing decisions. The budget appropriates fiscal year expenditures and establishes employee positions by department and fund except for project-oriented, multi-year appropriations made for capital projects, grants, or endowments.

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multi-year expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to both City and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

### Amending the Budget

Budgetary control for the operating budget generally is maintained at the budget control level within departments with the following exceptions: the Library Fund has its total budget set at fund level by the City Council, but its actual expenditures are controlled by the Library Board; capital projects programmed in the CIP are controlled at the project or project-phase level or program depending on legal requirements; grant-funded activities are controlled as prescribed by law and federal regulations.

The City Council may by ordinance abrogate, decrease, or re-appropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Subfund appropriations related to settlement of claims, emergency conditions, or laws enacted since the annual operating budget ordinance require approval by two-thirds of the City Council.

The City Budget Office may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500 thousand. Total transfers out may not exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

Budgetary accounts are integrated in the fund database for all budgeted funds, including Capital Improvement Projects Funds and the Community Development Block Grant (CDBG) Fund. However, the annual financial report includes budgetary

comparisons for annually budgeted governmental operating funds only. The budgetary comparisons are presented on a budgetary basis. The budgetary basis is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services.

## **Deficit Fund Balances and Net Position**

The Central Waterfront Improvement Fund reported a deficit fund balance of \$13.4 million as of December 31, 2018. Ordinance 123142 created this fund with specific intent that multiple partnership, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency, Ordinance 123761 permits this fund to use up to \$2.4 million at any one time from the City's cash pool. This ordinance was amended by Ordinance 124033 and Ordinance 124345 to increase the allowable amount of the inter-fund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. At year end, \$22 million of the loan authorization was used to cover the funds deficit cash position. Ordinance 125188 amending to extend the duration of the inter-fund loan of \$32.2 million to be repaid no later than December 31, 2019.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.2 million as of December 31, 2018. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized inter-fund loan allowance from the City's Consolidated Residual Cash Pool to a maximum of \$3.7 million. This loan is to be repaid no later than December 31, 2018 from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Fiber Leasing Fund reported a deficit fund balance of \$38.6 thousand as of December 31, 2018. The fund was created by Ordinance 123931 with the intent to account for the activities associated with management's use of the City's excess fiber and fiber infrastructure. The reported deficit is the result of a partial contract settlement between the City and the Contractor.

## **(3) CASH AND INVESTMENTS**

### **CASH AND EQUITY IN POOLED INVESTMENTS**

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the Director of Finance and Administrative Services (FAS) is authorized to invest all funds that is available in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City's funds may deposit cash at any time and also withdraw cash up to their respective fund balance out of the pool without prior notice or penalty.

**Custodial Credit Risk - Deposits:** The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2018, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2018, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, is held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

## CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all the City's investments under the City's name.

The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is defined in GASB Statement No. 72, *Fair Value Measurement and Application*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

The City's overnight repurchase agreement with Wells Fargo Bank, N.A. is accounted for at cost.

The City's participation in the Local Government Investment Pool (LGIP) is authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The LGIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

The remainder of City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market. The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and the City's third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc. for securities pricing.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The City's investments in U.S. Treasuries are Level 1 assets. The remainder of the City's investments are Level 2 assets. The City does not invest in Level 3 assets.

As of December 31, 2018, the City's investment pool held the following investments:

**Table 3-1**

**INVESTMENTS AND MATURITIES  
TREASURY RESIDUAL POOLED INVESTMENTS**  
*(In Thousands)*

Investments	Value as of December 31, 2018	Fair Value Measurements Using			Measured at Amortized Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Bank Note	\$ 8,098	\$ 8,098	\$ —	\$ —	\$ —	22
Commercial Paper	114,534	—	114,534	—	—	14
Local Government Investment Pool	143,658	—	—	—	143,658	1
Municipal Bonds	361,335	—	361,335	—	—	1,954
Repurchase Agreements	109,437	—	—	—	109,437	2
U.S. Government Agency Mortgage-Backed Securities	295,828	—	295,828	—	—	1,883
U.S. Government Agency Securities	986,082	986,082	—	—	—	1,367
U.S. Treasury and U.S. Government-Backed Securities	449,669	449,669	—	—	—	840
Total	\$ 2,468,641	\$ 1,443,849	\$ 771,697	\$ —	\$ 253,095	
Weighted Average Maturity of the City's Pooled Investments						1,212

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk, the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the LGIP.

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which is over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic Portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75.0 percent and 125.0 percent of the benchmark.

To further mitigate interest rate risk, a minimum of 60 percent of the Operating Portfolio and 30 percent of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments must adhere to State statute. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations, but provide for minimum credit ratings for investments in municipal bonds, commercial paper and corporate notes. State statute limits the maximum maturity and percentage allocations for investments in commercial paper and corporate notes, but not for municipals. The City's investment policy limits the maximum percentage allocations that can be invested in municipal bonds, commercial paper and bank notes. In addition, commercial paper, bank notes, and corporate notes purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 was adopted on March 16, 1995, and was revised September 15, 2016) that includes the following credit and maximum maturity constraints:

- A commercial paper issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.

- Commercial Paper investments may not have maturities exceeding 270 days. Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Bank notes or corporate notes at the time of purchase must have a credit rating of not less than “A” by any nationally recognized rating agency and must mature within 5.5 years.
- Commercial paper, bank and corporate notes combined may not exceed 25 percent of the total portfolio.
- No single issuer of commercial paper may exceed 3 percent of the total portfolio.
- No single issuer of bank or corporate notes rated AA or better by all rating agencies may exceed 3 percent of the total portfolio.
- No single issuer of bank or corporate notes rated single A by all rating agencies may exceed 2 percent of the total portfolio.
- Investments in a single credit issuer, consisting of commercial paper, bank and corporate notes combined, may not exceed 3 percent of the total portfolio.

The City subscribes to asset-backed commercial paper research from Moody’s Investors Service and public finance and non-U.S. bank research from Fitch Ratings. The City conducts internal due diligence on commercial paper, bank notes and municipal issuers, and maintains an “approved list” of issuers. Additionally, the City monitors the credit worthiness of its investments over time until they mature or are potentially sold.

**Concentration Risk:** State statute and the City’s Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. However, as noted under credit risk, the City’s Statement of Investment Policy outlines maximum percentage allocations for municipal securities, commercial paper as well as bank notes and corporate notes.

**Table 3-2**

**CONCENTRATION OF CREDIT RISK**  
*(In Thousands)*

Issuer	Fair Value	Percent of Total Investments
Anglesea FDG LLC ABCP	\$ 24,995	1.0%
Autobahn FDG LLC ABCP	19,987	0.8
Federal Agricultural Mortgage Corp (Farmer Mac)	65,886	2.7
Federal Farm Credit Bank	328,717	13.3
Federal Home Loan Bank	328,233	13.3
Federal Home Loan Mortgage Corporation (Freddie Mac) and FHMS K Series	234,292	9.5
Federal National Mortgage Association (Fannie Mae), FNA, and FNMA DUS ACES, FN DUS POOL	324,783	13.2
Kaiser Found Hospital CP	14,640	0.6
Kells FDG LLC ABCP	29,964	1.2
Liberty Street FDG LLC ABCP	24,947	1.0
Municipal Bonds	361,335	14.6
Sweep Repo	109,437	4.4
Toronto Dominion Bank	8,098	0.3
US Treasury (HUD Debenture, US Treasury Bonds)	449,669	18.2
Washington State Treasurer's Investment Pool	143,658	5.9
Total Investments	<u>\$ 2,468,641</u>	<u>100.0%</u>

**Custodial Credit Risk - Investments:** The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the

City's contractual custodial agent, Wells Fargo, rather than the trading counterparty or the trading counterparty's trust department or agent. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method. By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

**Foreign Currency Risk:** The City's pooled investments do not include securities denominated in foreign currencies.

## **INVESTMENTS OF THE SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)**

Investments of the Seattle City Employees' Retirement System (SCERS) are accounted for in the Employees' Retirement Fund, a fiduciary fund that is not included in the Citywide financial statements because its resources belong to the retirement system and do not support City programs.

The retirement fund investments are made in accordance with the Prudent Person Rule as defined by RCW 35.39.060.

**Table 3-3**

### **SCERS' INVESTMENTS**

*(In Thousands)*

INVESTMENTS BY FAIR VALUE LEVEL	Value as of December 31, 2018	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity	\$637,557	\$637,796	\$(255)	\$16
Fixed Income	601,757	122,500	479,257	—
Total Investments by fair value level	\$1,239,314	\$760,296	\$479,002	\$16
<b>INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)</b>				
Equity	\$931,927			
Fixed Income	193,857			
Real Estate	336,398			
Alternative Investments	54,123			
Total Investments measured at the NAV	1,516,305			
Total Investments	<b>\$2,755,619</b>			
Securities lending collateral	\$4,835			
INVESTMENTS				
INVESTMENTS	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity	\$931,927	\$422,946	Daily, Monthly	1-60 Days
Fixed Income	193,857	39,457	Monthly	5-30 Days
Real Estate	336,398	98,857	Quarterly, N/A	45 Days, N/A
Alternative Investments	54,123	—	Monthly, N/A	75 Days, N/A
Total Investments measured at the NAV	<b>\$1,516,305</b>	<b>\$561,260</b>		

**Credit Risk:** In accordance with its policy the Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for diversification and risk control. Managers do not have authority to depart from those guidelines.

SCERS' fixed income portfolio is primarily managed by four external money management firms. SCERS' investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of December 31, 2018, the fixed income portfolio of the SCERS had the following investment maturities:

# The City of Seattle

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**Table 3-4**

## SCERS' FIXED INCOME PORTFOLIO

*(In Thousands)*

Investment Type	Fair Value	<1	1 - 5	6 - 10	>10
Agencies	\$ 1,935	\$ —	\$ 1,935	\$ —	\$ —
Derivatives	945	492	157	296	—
Asset Backed Security	57,217	—	29,976	23,560	3,681
Corporate Debt	180,879	15,528	106,111	42,618	16,622
Mortgage Backed Security	235,961	—	3,680	4,199	228,082
Municipal	2,817	—	—	—	2,817
Treasury Notes and Bonds	122,003	7,925	35,896	37,876	40,306
Total Fixed Income Securities	<u>\$ 601,757</u>	<u>\$ 23,945</u>	<u>\$ 177,755</u>	<u>\$ 108,549</u>	<u>\$ 291,508</u>
Fixed Income Fund	<u>193,857</u>				
Total Fixed income	<u><u>\$ 795,614</u></u>				

**Interest Rate Risk:** SCERS' investment policy requires the Retirement Board to provide its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for risk control. Managers do not have authority to depart from those guidelines.

SCERS' investment policy does not limit fixed income investments based on ratings by nationally recognized rating agencies. Speculative investments are avoided based on the Prudent Person Rule as defined by RCW 35.39, and the policy specifies target percentages for diversification in order to minimize risk of large losses. As of December 31, 2018, the fixed income portfolio of the SCERS had the following investment ratings:

**Table 3-5**

## SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S

*(In Thousands)*

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Agencies	1,935	—	1,935	—	—	—	—	—	—
Derivatives	945	—	—	—	—	—	—	—	945
Asset Backed Security	57,217	40,541	4,430	—	—	—	—	353	11,893
Corporate Debt	180,879	—	6,290	53,715	117,275	1,054	—	—	2,545
Mortgage Backed Security	235,961	2,761	105,505	397	390	—	—	—	126,908
Municipal	2,817	1,133	698	986	—	—	—	—	—
Treasury Notes and Bonds	122,003	—	122,003	—	—	—	—	—	—
Total Fixed Income Securities	<u>\$ 601,757</u>	<u>44,435</u>	<u>240,861</u>	<u>55,098</u>	<u>117,665</u>	<u>1,054</u>	<u>0</u>	<u>353</u>	<u>142,291</u>
Fixed Income Funds	<u>193,857</u>								
Total Fixed Income	<u><u>\$ 795,614</u></u>								

**Table 3-6**

## SCERS' ASSET ALLOCATION

Asset Class	Actual	Target
Equity	57.0	57.0
Fixed Income	28.9	23.0
Alternative	2.0	5.0
Real Estate	12.1	15.0
Total	<u>100.0%</u>	<u>100.0%</u>

**Concentration of Credit Risk:** The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net position value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

**Custodial Credit Risk:** SCERS mitigates custodial credit risk by having its investment securities held by SCERS' custodian and registered in SCERS' name.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates, which will adversely impact the fair value of an investment. SCERS' currency risk exposure or exchange rate risk primarily resides within the international equity holdings. SCERS' investment managers maintain adequately diversified portfolios to limit foreign currency and security risk.

## SECURITIES LENDING TRANSACTIONS

The City's cash pool and the Seattle City Employees' Retirement System are allowed to engage in securities lending transactions similar to that instituted by the Washington State Treasurer's Office and other municipal corporations in the State of Washington.

Under the authority of RCW 41.28.005 and the SMC 4.36.130, the SCERS of Administration adopted investment policies that define eligible investments, which include securities lending transactions whereby securities are lent for the purpose of generating additional income to SCERS. Gross income from securities lending transactions of SCERS as well as various fees paid to the institution that oversees the lending activities is reported in the fund's operating statements. Assets and liabilities include the value of the collateral that is being held.

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral; and is limited to a volume of less than \$75.0 million. The contractual agreement with the SCERS' custodian provides indemnification in the event when the borrower fails to return the securities lent or fails to pay SCERS income distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans.

SCERS invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, 2018, the fair value of securities on loan was \$4.7 million. Associated cash collateral totaling \$4.8 million was received. The fair market value of reinvested collateral was \$4.8 million as of December 31, 2018, which includes an unrealized gain totaling \$8,329.

## REVERSE REPURCHASE AGREEMENTS

RCW 35.39.030 and City investment policy allow the investment of City monies in excess of current City needs in reverse repurchase agreements. However, at this time, the City does not engage itself in this type of investment strategy.

## (4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The following table shows tax revenues and receivables as reported in the fund financial statements:

**Table 4-1****TAX REVENUES AND RECEIVABLES**  
*(In Thousands)*

	December 31 2018	December 31 2018
	Revenues	Receivables
Property Taxes	\$ 597,349	\$ 10,073
General Business and Occupation Taxes	539,045	87,778
<b>Totals</b>	<b>\$ 1,136,394</b>	<b>\$ 97,851</b>

### TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.35 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2018. In addition, the levy included \$1.28 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2018 levy was \$2.36 per \$1,000 of assessed value. Not included in this total was the King County levy for Medic One/Emergency Medical Services, from which the City receives a direct, proportional distribution of proceeds. This was renewed by voters at election in November 2013 and was \$0.24 per \$1,000 of assessed value in 2018.

Property taxes are levied by the County Assessor and collected by the County Finance Director. Assessments are based on 100 percent of true and fair-market value. They are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$30. The first half is due on April 30, or else the total amount becomes delinquent on May 1. The balance is due on October 31, becoming delinquent on November 1. Delinquent taxes bear interest at the rate of one percent per month until paid and are subject to additional penalties of three percent and another eight percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes are delinquent for three years.

### INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between funds. The interfund balances are presented in the balance sheets for governmental funds and statements of net position for proprietary funds.

The following table shows the current interfund balances as of December 31, 2018, as reported in the fund financial statements:

Table 4-2

 DUE FROM AND TO OTHER FUNDS <sup>a</sup>
*(In Thousands)*

Receivable Fund	Payable Fund(s)	Amount
<b>General</b>	Drainage and Wastewater Fiduciary Fund Internal Service Light Transportation Nonmajor Governmental Nonmajor Enterprise Solid Waste Water	\$ 5,471 2,285 1,634 7,007 7,575 64,762 567 1,802 3,768
	Total General Fund	\$ 94,870
<b>Drainage and Wastewater</b>	Fiduciary Fund General Internal Service Light Transportation Nonmajor Governmental Nonmajor Enterprise Solid Waste Water	\$ 1,299 555 259 746 3,967 74 106 422 7,876
	Total Drainage and Wastewater Fund	\$ 15,306
<b>Internal Service</b>	Drainage and Wastewater Fiduciary Fund General Fund Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Light Solid Waste Water	\$ 1,080 430 10,926 1,030 1,964 4,232 468 3,682 308 2,884
	Total Internal Service Funds	\$ 27,004
<b>Light</b>	Drainage and Wastewater Fiduciary Fund General Fund Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Solid Waste Water	\$ 530 1,583 409 2,368 29 316 — 216 502
	Total Light Fund	\$ 5,953
<b>Transportation</b>	Drainage and Wastewater Fiduciary Fund General Fund Internal Service Nonmajor Governmental Nonmajor Enterprise Light Solid Waste Water	\$ 7,124 231 11,054 578 18,188 1 11,040 7 4,245
	Total Transportation Fund	\$ 52,468

# The City of Seattle

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**Table 4-2**

**DUE FROM AND TO OTHER FUNDS<sup>a</sup> (continued)**  
*(In Thousands)*

Receivable Fund	Payable Fund(s)	Amount
<b>Nonmajor Governmental</b>	Drainage and Wastewater Fiduciary Fund General Fund Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Light Solid Waste Water	\$ 970 2,171 21,983 2,126 5,954 11,797 11 3,210 357 420
	Total Nonmajor Governmental Funds	\$ 49,000
<b>Nonmajor Enterprise</b>	Drainage and Wastewater Fiduciary Fund General Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Light Solid Waste Water	\$ 1,806 356 813 29 34 — — 481 11 27
	Total Nonmajor Enterprise Funds	\$ 3,557
<b>Solid Waste</b>	Drainage and Wastewater Fiduciary Fund General Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Light Water	\$ 411 453 500 93 2 40 — 92 2,144
	Total Solid Waste Fund	\$ 3,735
<b>Water</b>	Drainage and Wastewater Fiduciary Fund General Internal Service Transportation Nonmajor Governmental Nonmajor Enterprise Light Solid Waste	\$ 845 772 5,078 419 2,811 14 2 6,335 1,609
	Total Water Fund	\$ 17,883
<b>Grand Total</b>		<b>\$ 269,777</b>

<sup>a</sup> Some amounts may have rounding or classification differences with Balance Sheet.

**Table 4-3**

**ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS**

*(In Thousands)*

Advances, Notes, and Loans From	Advances, Notes, and Loans To	Amount
General Fund	Transportation Fund	\$ 5,700
Seattle Center and Parks Multipurpose Levy Fund	Parks and Recreation Fund	8,000
Transportation Fund	Central Waterfront Improvement Fund	<u>22,001</u>
Total City		<u>\$ 35,701</u>

The interfund loan for the Central Waterfront Improvement Fund has been approved by the City Council through Ordinance 125188 and is to be repaid by December 31, 2019. The interfund loan to the Parks and Recreation Fund was approved by the City Council through Ordinance 125202 and is to be repaid no later than December 31, 2019. The interfund loan to Transportation Fund in the amount up to \$26.3 million has been approved by the City Council through Ordinance 125466. This interfund loan to Transportation Fund is to be repaid no later than December 31, 2019, with interest on the loan at the rate of return of the City's consolidated (residual) cash pool.

During 2018, the advances to the Local Improvement District No. 6750, 2018 Multipurpose Long-Term General Obligation Bond, and the Seattle Streetcar were paid back. In addition, the loan to the Seattle Metropolitan Parks District Fund was paid back in 2018.

**Table 4-4**

**INTERFUND TRANSFERS**

*(In Thousands)*

Transfers In	Transfers Out					Total
	General	Transportation	Nonmajor Governmental	Internal Service Fund		
General Fund		\$ 1,467	\$ 8,838	\$ 4,000	\$ 14,305	
Transportation	—	—	—	—	—	—
Nonmajor Governmental Fund	27,851	30,373	2,936	28,750	89,910	
Internal Service Fund	100	—	6,446	—	6,546	
Total Transfers	<u>\$ 27,951</u>	<u>\$ 31,840</u>	<u>\$ 18,220</u>	<u>\$ 32,750</u>	<u>\$ 110,762</u>	

Transfers are used to (1) move revenues from the fund wherein the statute or budget requires them to be collected to the fund wherein the statute or budget requires them to be expended, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) apply unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations.

**DEFERRED OUTFLOWS/INFLows OF RESOURCES****Governmental Activities****Table 4-5****DEFERRED OUTFLOWS/INFLows OF RESOURCES  
GOVERNMENTAL FUNDS***(In Thousands)*

<b>Deferred Outflows/Inflows of Resources</b>	<b>General</b>	<b>Transportation</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Deferred Outflows of Resources				
Total Deferred Outflows of Resources	\$ —	\$ —	\$ —	\$ —
Deferred Inflows of Resources				
Property Taxes	\$ 3,793	\$ 1,147	\$ 2,267	\$ 7,207
Special Assessment	—	—	\$ 7,232	7,232
Total Deferred Inflows of Resources	\$ 3,793	\$ 1,147	\$ 9,499	\$ 14,439

**Special Assessment**

The Local Improvement District 6750 Fund recorded a deferred inflows of resources which reflects the total expected future collections from the District. The assessment expected to be collected during the upcoming fiscal period is adjusted from the deferred inflows of resources and recognized as revenue within our government-wide presentation.

**Debt Service**

The governmental funds loss on debt refunding of \$0.4 million, previously reported as an asset, is now reported as a Deferred Inflow of Resources on the government-wide financial statement and will continue to be amortized as a component of interest expense. Internal service fund has been fully amortized.

**Property Taxes**

For 2018, total taxes outstanding of \$7.2 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria, our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and to record the tax revenues to the Statement of Activities.

**Pension Plans**

As a result of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015, and implementation of GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in fiscal year 2018, the City recognized deferred inflows and outflows of resources related to its pension and OPEB plans. Detailed information about these deferred inflows and outflows of resources for each pension and OPEB plans can be acquired in Note 11.

**Table 4-6**
**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL ACTIVITIES**
*(In Thousands)*

<b>Deferred Outflows/Inflows of Resources</b>	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Government-Wide Adjustment</b>	<b>Total</b>
Deferred Outflows of Resources				
Debt Service	\$ —	\$ —	\$ 406	\$ 406
Pension and OPEB Plans	—	67,190	81,589	148,779
Total Deferred Outflows of Resources	<b>\$ —</b>	<b>\$ 67,190</b>	<b>\$ 81,995</b>	<b>\$ 149,186</b>
Deferred Inflows of Resources				
Property Taxes	\$ 7,207	\$ —	\$ (7,207)	\$ —
Special Assessment	7,232	—	(1,123)	6,109
Pension and OPEB Plans	—	22,630	136,903	159,533
Total Deferred Inflows of Resources	<b>\$ 14,439</b>	<b>\$ 22,630</b>	<b>\$ 128,573</b>	<b>\$ 165,642</b>

**Business-Type Activities**
**Table 4-7**
**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
BUSINESS-TYPE ACTIVITIES**
*(In Thousands)*

<b>Deferred Outflows/Inflows of Resources</b>	<b>City Light</b>	<b>Seattle Public Utilities</b>				<b>Construction &amp; Inspections</b>	<b>Total</b>
		<b>Water</b>	<b>Drainage and Wastewater</b>	<b>Solid Waste</b>			
Deferred Outflows of Resources							
Pension and OPEB	\$ 26,945	\$ 2,175	\$ 1,320	\$ 617	\$ 5,628	\$ 36,685	
Charges on Advance Refunding	\$ 30,984	\$ 21,089	\$ 6,329	\$ 2,153	\$ —	\$ 60,555	
Total Deferred Outflows of Resources	<b>\$ 57,929</b>	<b>\$ 23,264</b>	<b>\$ 7,649</b>	<b>\$ 2,770</b>	<b>\$ 5,628</b>	<b>\$ 97,240</b>	
Deferred Inflows of Resources							
Pension and OPEB	\$ 58,002	\$ 9,404	\$ 9,628	\$ 3,359	\$ 9,251	\$ 89,644	
Revenue Stabilization Account	71,916	55,005	—	36,495	—	163,416	
Regulatory Credits	34,048	—	—	—	—	34,048	
Total Deferred Inflows of Resources	<b>\$ 163,966</b>	<b>\$ 64,409</b>	<b>\$ 9,628</b>	<b>\$ 39,854</b>	<b>\$ 9,251</b>	<b>\$ 287,108</b>	

**Revenue Stabilization Account**

Funding of Revenue Stabilization Accounts (RSAs) from operating cash effectively defers operating revenues. For the Seattle City Light (SCL) the balance of the RSA was \$71.9 million as of December 31, 2018. For the Seattle Public Utilities (SPU), the balance of the RSA was \$91.5 million as of December 31, 2018.

**Regulatory Credits**

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate-making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$34.0 million as of December 31, 2018.

## (5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve SCL's load obligations and using of these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as estimates of stream flows, availability of generating units, historic and forward market information, contract terms, and experience. Based on these projections, SCL purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements and to realize earnings from surplus energy resources. These transactions can be up to 24 months forward. Under these forward contracts, SCL commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future. Except for limited intraday and interday trading to take advantage of owned hydro storage, SCL does not take market positions in anticipation of generating profit. Energy transactions in response to forecasted seasonal resource and demand variations require approval by SCL's Risk Oversight Council.

It is the City's policy to apply the normal purchase and normal sales exception of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as appropriate. Certain forward purchase and sale of electricity contracts meet the definition of a derivative instrument but are intended to result in the purchase or sale of electricity delivered and are used in the normal course of operations. Accordingly, City considers these SCL's forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

The following table presents (in millions) the aggregate contract amounts, fair value, and unrealized gain (loss) of SCL's commodity derivative instruments qualifying as normal purchases and normal sales on December 31, 2018:

**Table 5-1**

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 22.3	\$ 24.7	\$ (2.4)
Purchases	—	—	—
Total	<b>\$ 22.3</b>	<b>\$ 24.7</b>	<b>\$ (2.4)</b>

Fair value measurements as of December 31, 2018, used an income valuation technique consisting of Kiodex Forward Curves, which is considered a level 2 input in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2018. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

**Market Risk:** Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because SCL is active in the wholesale energy market, it is subject to market risk.

**Credit Risk:** Credit risk relates to the potential losses that SCL would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically

alter the size of credit risk with counterparties, even when conservative credit limits are established. SCL seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default, by applying credit limits and duration criteria to existing and prospective counterparties, and by actively monitoring current credit exposures. SCL also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

SCL has concentrations of suppliers and customers in the electric industry including electric utilities, electric generators and transmission providers, financial institutions, and energy marketing and trading companies. In addition, SCL has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact SCL's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

**Other Operational and Event Risk:** There are other operational and event risks that can affect the supply of the commodity, and SCL's operations. Due to SCL's primary reliance on hydroelectric generation, the weather, including spring time snow melt, runoff, and rainfall, can significantly affect SCL's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

## (6) CAPITAL ASSETS

Table 6-1

### CHANGES IN CAPITAL ASSETS <sup>a</sup> (In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES <sup>b</sup></b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 590,625	\$ 34	\$ 0	\$ 590,659
Construction in Progress	875,715	275,671	669,328	482,058
Other Capital Assets	10,189	277	10	10,456
Total Capital Assets Not Being Depreciated	1,476,529	275,982	669,338	1,083,173
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,400,403	97,532	591	2,497,344
Machinery and Equipment	453,755	41,462	14,444	480,773
Infrastructure	2,089,389	497,926	220	2,587,095
Other Capital Assets	9,653	44,517	77	54,093
Total Capital Assets Being Depreciated	4,953,200	681,437	15,332	5,619,305
Accumulated Depreciation				
Buildings and Improvements	903,143	75,573	13,347	965,369
Machinery and Equipment	270,238	33,491	13,626	290,103
Infrastructure	958,713	66,882	—	1,025,595
Other Capital Assets	4,809	5,168	77	9,900
Total Accumulated Depreciation	2,136,903	181,114	27,050	2,290,967
Total Capital Assets Being Depreciated, Net	2,816,297	500,323	(11,718)	3,328,338
Governmental Activities Capital Assets, Net	\$ 4,292,826	\$ 776,305	\$ 657,620	\$ 4,411,511
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 175,446	\$ 90,264	\$ —	\$ 265,710
Construction in Progress	768,143	598,496	712,466	654,173
Other Capital Assets	65,263	93	55,100	10,256
Total Capital Assets Not Being Depreciated	1,008,852	688,853	767,566	930,139
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	8,168,949	661,271	63,786	8,766,434
Buildings	0	—	—	0
Machinery and Equipment	14,331	1	0	14,332
Other Capital Assets	16,132	10,619	0	26,751
Total Capital Assets Being Depreciated	8,199,412	671,891	63,786	8,807,517
Accumulated Depreciation				
Plant in Service, Excluding Land	3,033,727	231,209	74,503	3,190,433
Buildings	0	0	—	0
Machinery and Equipment	14,283	15	0	14,298
Other Capital Assets	1,372	693	0	2,065
Total Accumulated Depreciation	3,049,382	231,917	74,503	3,206,796
Total Capital Assets Being Depreciated, Net	5,150,030	439,974	(10,717)	5,600,721
Business-Type Activities Capital Assets, Net	\$ 6,158,882	\$ 1,128,827	\$ 756,849	\$ 6,530,860

<sup>a</sup> Some amounts may have rounding differences with Statement of Net Position.

<sup>b</sup> The capital assets for governmental activities include the capital assets of the internal service funds.

Accumulated depreciation additions included adjustments made during the fund conversion, different from depreciation expenses on Table 6-2 below.

**Table 6-2**

**DEPRECIATION EXPENSE BY FUNCTION**  
*(In Thousands)*

<b>GOVERNMENTAL ACTIVITIES</b>		
General Government	\$	12,138
Public Safety		2,809
Transportation		72,213
Economic Environment		7
Culture and Recreation		33,053
<b>Subtotal</b>		<b>120,220</b>
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets		48,472
<b>Total Governmental Activities</b>	<b>\$</b>	<b>168,692</b>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Light	\$	135,100
Water		51,314
Solid Waste		11,809
Drainage and Wastewater		32,917
Planning and Development		708
Parking Garage		0
<b>Total Business-Type Activities</b>	<b>\$</b>	<b>231,848</b>

## **(7) COMPENSATED ABSENCES**

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences as of December 31, 2018. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds as of December 31, 2018.

### **GOVERNMENTAL ACTIVITIES**

#### **Governmental Funds**

Unpaid compensated absences associated with governmental fund operations of \$76.6 million as of December 31, 2018, have been recorded in the government-wide financial statements.

#### **Internal Service Funds**

**Table 7-1**

**COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS**  
*(In Thousands)*

	<b>2018</b>
Finance and Administrative Services	\$ 4,606
Information Technology	7,243
<b>Totals</b>	<b>\$ 11,849</b>

# The City of Seattle

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## BUSINESS-TYPE ACTIVITIES

### Enterprise Funds

Table 7-2

#### COMPENSATED ABSENCES IN ENTERPRISE FUNDS *(In Thousands)*

	2018
Light	\$ 16,193
Water	4,248
Drainage and Wastewater	4,349
Solid Waste	1,517
Planning and Development	2,788
Totals	<u><u>\$ 29,095</u></u>

## PENSION TRUST FUND

Table 7-3

#### COMPENSATED ABSENCES IN PENSION TRUST FUND *(In Thousands)*

	2018
Employees' Retirement	<u><u>\$ 237</u></u>
Totals	<u><u>\$ 237</u></u>

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within one year.

## (8) LEASES

### CAPITAL LEASES

The City leases certain office equipment under various capital lease agreements. The City's capital lease obligations and related assets were recorded in the appropriate funds and government-wide financial statements. The net capital lease assets shown in the following table reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

Table 8-1

#### CAPITAL LEASES *(In Thousands)*

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 503
Less Accumulated Depreciation	(441)
December 31, 2018	<u><u>\$ 62</u></u>
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2018	<u><u>\$ 39</u></u>
Total Minimum Lease Payments	39
Less Interest	(4)
Principal	<u><u>\$ 35</u></u>

The outstanding principal portion of the minimum capital lease payments is also presented in Table 9-9 of Note 9, Long-Term Debt.

## **OPERATING LEASES**

## **Governmental Activities**

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show periodic schedules of rental amounts. Facilities Operations Division paid rentals of approximately \$9.9 million in 2018 on lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

Seattle Center leases a building for office space and workshop on a type of lease called a “triple net lease” for its Technical Facilities Management. The current lease term expires on July 30, 2020. The lease agreement requires a fixed rent of \$26,000 per month subject to increases on each July 1 by the percentage of change, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items ( $1982 - 84 = 100$ ) published by the Bureau of Labor Statistics, United States Department of Labor CPI on five percent for any lease year. When the CPI declines, the fixed rent during the succeeding year is the fixed rent during preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease, Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid lease payments of \$0.3 million in 2018. Rents are paid as they become due and payable.

Minimum payments under leases for the years ending December 31 are:

**Table 8-2** OPERATING LEASE COMMITMENTS  
GOVERNMENTAL ACTIVITIES  
*(In Thousands)*

Minimum Lease Payments						
Year Ending December 31	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Transportation	Total	
2019	\$ 10,175	\$ 333	\$ 694	\$ 120	\$ 11,322	
2020	7,703	333	1,050	90	9,176	
2021	6,550		1,073	58	7,681	
2022	6,151	—	1,044	27	7,222	
2023	5,914	—	1,013	3	6,930	
2024-2028	14,340	—	5,839	—	20,179	
Total	\$ 50,833	\$ 666	\$ 10,713	\$ 298	\$ 62,510	

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed during 2018:

**For the Year Ended  
December 31, 2018**

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*(In Thousand)*

# The City of Seattle

## Business-Type Activities

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$0.5 million in 2018.

Seattle Public Utilities has non-cancellable operating lease commitments for real and personal properties for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2018 were: \$134,219 for the Water Fund; \$55,375 for the Drainage and Wastewater Fund, and \$9,365 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases for the years ending December 31 are:

Table 8-3

### OPERATING LEASE COMMITMENTS BUSINESS-TYPE ACTIVITIES

(In Thousands)

Year Ending December 31	Minimum Payments						Construction & Inspections	Total
	City Light	Water	Drainage & Wastewater	Solid Waste				
2019	\$ 1,589	\$ 136	\$ 56	\$ 10			\$ 58	\$ 1,849
2020	1,422	42	19	6			49	1,538
2021	1,473	12	0	2			32	1,519
2022	—	12	—	2			—	14
2023	—	12	—	2			—	14
2024 - 2028	—	62	—	—			—	62
2029 - 2032	—	12	—	—			—	12
Total	\$ 4,484	\$ 288	\$ 75	\$ 22			\$ 139	\$ 5,008

## LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Facilities Operations Division collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, other government offices, social service agencies, and private businesses. Social service agencies frequently pay occupancy charges at reduced rates in consideration of offsetting benefits accruing to the City as a result of the services they provide to the public. Rental revenues derived from these activities are accounted for in the Finance and Administrative Services Fund, an internal service fund, and are shown in the following table.

Table 8-4

### MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY FACILITIES OPERATIONS DIVISION

(In Millions)

	2018
Non-City Property Occupied by City Departments	\$ 10.2
City-Owned Property Occupied by City Departments	55.6
City-Owned Property Leased to Non-City Tenants	2.4
Total	<u><u>\$ 68.2</u></u>

Additionally, the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.84 million total parking revenues in 2018, which were recorded in the Finance and Administrative Services Fund.

## (9) LONG-TERM DEBT

### GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funding for the acquisition and the construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, Limited Tax General Obligation (LTGO) bonds and Unlimited Tax General Obligation (UTGO) bonds.

The original amount of general obligation bonds issued for bonds outstanding at the end of 2018 was \$1.525 billion. The principal balance of bonds outstanding as of December 31, 2018 was \$977.5 million. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2018.

In June 2018, the City issued the following series of General Obligation Bonds: (1) \$23.2 million LTGO Improvement Bonds, 2018, Series A. The bonds mature from December 2018 through December 2038 with an average coupon rate of 4.6 percent; (2) \$26.7 million LTGO Improvement Bonds, 2018, Series B (Taxable). The bonds mature from December 2018 through December 2038 with an average coupon rate of 3.6 percent. The proceeds of these LTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, such as Alaskan Way Corridor, Fire Stations and other IT projects.

City had no short-term general obligation and refunded/defeased debts at the end of 2018.

The following table presents the individual general obligation bonds outstanding as of December 31, 2018, and other relevant information on each outstanding bond issue:

**Table 9-1**

### GENERAL OBLIGATION BONDS

*(In Thousands)*

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2018	To Date <sup>a</sup>	December 31, 2018
<b>LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED</b>							
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398%	\$ 139,830	\$ 5,765	\$ 139,830	\$ —
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	4,390	94,350	5,510
Improvement and Refunding, 2010, Series A <sup>b</sup>	03/31/10	08/01/10-30	3.039	66,510	4,455	4,455	62,055
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	3.125	135,395	7,125	69,070	66,325
Various Purpose, 2011	03/16/11	03/01/11-31	3.645	79,185	3,300	30,285	48,900
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	2.703	75,590	3,490	22,180	53,410
Improvement, 2013, Series A	06/04/13	10/01/14-33	2.375	42,315	4,680	22,000	20,315
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.427	55,075	7,725	34,770	20,305
Improvement and Refunding, 2014	04/10/14	11/1/14-05/1/34	2.497	62,770	7,935	29,360	33,410
Improvement and Refunding, 2015, Series A	05/21/15	12/1/15-06/01/35	2.401	160,945	6,830	21,095	139,850
Improvement and Refunding, 2015, Series B (Taxable)	05/21/15	04/1/16-35	3.452	28,175	1,140	3,390	24,785
Improvement and Refunding, 2016, Series A	05/25/16	04/1/17-36	2.188	103,660	6,120	11,945	91,715
Improvement and Refunding, 2016, Series B (Taxable)	05/25/16	04/1/17-36	2.801	6,070	250	495	5,575
Improvement and Refunding, 2017, Series A	06/14/17	11/01/17-47	2.964	73,080	3,290	3,290	69,790
Improvement and Refunding, 2017, Series B (Taxable)	6/14/2017	11/01/17-37	3.038	12,400	730	730	11,670
Improvement and Refunding, 2018, Series A	5/22/2018	12/01/18-38	2.705	23,230	—	—	23,230
Improvement and Refunding, 2018, Series B (Taxable)	5/22/2018	12/01/18-38	3.593	26,745	—	—	26,745
Total Limited Tax General Obligation Bonds				\$ 1,190,835	\$ 67,225	\$ 487,245	\$ 703,590

# The City of Seattle

**Table 9-1**

## GENERAL OBLIGATION BONDS (continued)

(*In Thousands*)

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2018	To Date <sup>a</sup>	December 31, 2018
<b>UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED</b>							
Refunding-Various UTGO Bonds, 2012	05/16/12	12/01/12-21	1.276%	\$ 46,825	\$ 5,305	\$ 29,255	\$ 17,570
Improvement, 2013	06/04/13	12/01/14-42	3.280	50,000	1,040	4,845	45,155
Improvement, 2014	04/10/14	12/01/14-43	3.672	16,400	345	1,310	15,090
Improvement, 2015	05/21/15	12/01/16-44	3.575	169,135	3,195	9,130	160,005
Improvement, 2016	05/25/16	12/01/18-45	3.084	36,740	680	680	36,060
Improvement, 2017	06/14/17	12/01/17-18	0.088	14,605	7,250	14,605	0
Total Unlimited Tax General Obligation Bonds				\$ 333,705	\$ 17,815	\$ 59,825	\$ 273,880
Total General Obligation Bonds				\$1,524,540	\$ 85,040	\$547,070	\$ 977,470

<sup>a</sup>

Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup>

Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2018, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issuance and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

**Table 9-2**

## ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY GENERAL OBLIGATION BONDS

(*In Thousands*)

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 80,560	\$ 41,415	\$ —	\$ —	\$ 121,975
2020	75,225	37,995	—	—	113,220
2021	78,075	34,502	—	—	112,577
2022	66,000	31,083	—	—	97,083
2023	65,075	28,131	—	—	93,206
2024 - 2028	258,905	98,487	—	—	357,392
2029 - 2033	158,690	55,773	—	—	214,463
2034 - 2038	101,240	29,497	—	—	130,737
2039 - 2043	73,865	12,833	—	—	86,698
2044 - 2047	19,835	1,245	—	—	21,080
Total	\$ 977,470	\$ 370,961	\$ —	\$ —	\$ 1,348,431

## **SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT**

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related Local Improvement District (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2018 was \$5.0 million. No bond was issued in 2018.

The following table shows more detail on the outstanding special assessment bonds:

**Table 9-3                    SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**  
*(In Thousands)*

Name of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2018	To Date	December 31, 2018
Local Improvement District No. 6750 Bonds, 2006	12/13/06	12/15/07-26	4.102%	\$ 21,925	\$ 1,100	\$ 16,950	\$ 4,975

### **Local Improvement District No. 6750 Assessment Collection Information**

Calendar/Fiscal Year End Dec. 31	Assessment Installment Payments Billed <sup>a</sup>	Assessment Installment Payments Collected <sup>b</sup>	Unpaid Principal Balance of Assessments <sup>c</sup>	Assessment Installments that are Delinquent <sup>d</sup>
2009	\$ 1,221,349	\$ 2,433,616	\$ 18,261,638	\$ 149,411
2010	1,202,504	2,092,158	16,761,182	163,623
2011	1,199,958	1,991,483	15,535,847	152,307
2012	1,194,120	1,900,225	14,265,404	194,705
2013	1,189,621	2,046,315	13,038,066	264,692
2014	1,186,600	1,781,162	11,819,398	249,080
2015	1,186,600	1,996,091	10,572,835	291,124
2016	1,148,384	1,768,274	9,153,197	287,510
2017	1,126,841	1,492,796	7,854,542	359,974
2018	1,554,199	1,561,443	7,192,381	378,532

<sup>a</sup> Represents installment payments due and billed in the current calendar year. Source: King County Report SLD270- "Current Install."

<sup>b</sup> Represents total amount received in respect of assessments in calendar year, including payments of assessment installments (consisting of both principal and interest) due and billed in current calendar year, plus amounts received as prepayments of outstanding principal balances of unpaid assessments and amounts received in respect of delinquent installments. Source: Seattle Oracle Financial System.

<sup>c</sup> Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year- end. Source: King County Report SLD270 - "Future Install."

<sup>d</sup> Represents cumulative amount of the principal portion of installment payments that were due and billed in any calendar year, but which remained unpaid at year- end. Source: King County Report SLD270 - "Delinquent Install."

# The City of Seattle

The requirements to amortize the special assessments with governmental commitment as of December 31, 2018 are shown below:

**Table 9-4 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**  
*(In Thousands)*

Year Ending December 31	Principal	Interest	Total
2019	\$ —	\$ 211	\$ 211
2020	—	211	211
2021	—	211	211
2022	—	211	211
2023	—	211	211
2024 - 2026	4,975	633	5,608
Total	\$ 4,975	\$ 1,688	\$ 6,663

## NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State's Public Works Trust Loan program. The notes were drawn at varying annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support city road and bridge improvements. The City paid \$1.4 million and \$0.1 million in principal and interest, respectively, in 2018. The outstanding balance on the notes was \$8.1 million as of December 31, 2018. The following table presents the annual debt service requirements to maturity on the notes as of December 31.

**Table 9-5 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SEATTLE DEPARTMENT OF TRANSPORTATION  
PUBLIC WORKS TRUST LOAN NOTES**  
*(In Thousands)*

December 31	Principal	Interest	Total
2019	\$ 1,275	\$ 45	\$ 1,320
2020	1,275	32	1,307
2021	974	19	993
2022	918	15	933
2023	918	11	929
2024 - 2028	1,762	26	1,788
2029 - 2031	948	5	953
Total	\$ 8,070	\$ 153	\$ 8,223

## REVENUE BONDS

The City issues revenue bonds to provide financing for the capital programs of the four utilities of City Light, Water, Drainage and Wastewater, and Solid Waste Utilities. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. The original amount of revenue bonds issued for bonds outstanding at the end of 2018 was approximately \$6.1 billion. The outstanding principal balance on December 31, 2018 was \$4.3 billion. During 2018, an additional \$462.5 million of revenue bonds was issued.

In June 2018, the Department issued \$263.8 million of tax exempt Municipal Light and Power (ML&P) Improvement Revenue Bonds (2018 Series A Bonds) and in September 2018 issued \$100.3 million of tax exempt variable rate Municipal Light and

Power (ML&P) Revenue Refunding Revenue Bonds (2018 Series B Bonds) and \$98.5 million of tax exempt Municipal Light and Power (ML&P) Revenue Refunding Bonds (2018 Series C Bonds). The 2018 Series A Bonds had coupon interest rates ranging from 4.00 percent to 5.00 percent and mature serially from January 1, 2019 through January 1, 2048. The 2018 Series B term Bonds had coupon interest rates ranging from 1.77 percent to 2.00 percent during 2018 with term bonds maturing May 1, 2045. The 2018 Series C Bonds had coupon interest rates ranging from 1.63 percent to 2.20 percent during 2018 and mature serially from November 1, 2020 to November 1, 2023 with term bonds maturing annually from November 1, 2018 to November 1, 2046. The 2018 Series B and C Bonds bear interest at the adjusted Securities Industry and Financial Markets Association (SIFMA) interest rate which is the SIFMA index plus the Index floating rate spread. The arbitrage yield was 3.15 percent for the 2018 Series A Bonds and 3.38 percent for the 2018 Series B and 2018 Series C Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds.

Proceeds from the 2018 Series A Bonds were used to finance certain capital improvement and conservation programs and to make a deposit to the reserve fund. Proceeds from the 2018 Series B and C Bonds were used to refund \$100.0 million of the 2015 Series B Bonds and \$98.2 million of the 2017 Series A and B Bonds. The debt service on the 2018 Series A Bonds requires a cash flow over the life of the bonds of \$458.9 million, including \$195.1 million in interest, the debt service on the 2018 Series B Bonds requires a cash flow over the life of the bonds of \$172.4 million, including \$72.1 million in interest, and the debt service on the 2018 Series C Bonds requires a cash flow over the life of the bonds of \$162.5 million, including \$64.0 million in interest. The 2018 Series B and C Bonds refunded the 2015 Series B and 2017 Series A and B Bonds on a current basis and there was no savings or accounting gain or loss on the refunding. Refunding on a current basis is a refunding transaction where the municipal securities being refunded will all mature or be redeemed within 90 days or less from the date of the issuance of the refunding issue.

The following table presents the individual revenue bonds outstanding as of December 31, 2018, and other pertinent information on each outstanding bond:

**Table 9-6**  
**Page 1 of 2**

**REVENUE BONDS**  
*(In Thousands)*

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Dates	Rates <sup>e</sup>	Issuance	2018	To Date <sup>a</sup>	December 31, 2018
<b>MUNICIPAL LIGHT AND POWER (ML&amp;P) BONDS</b>							
2008 Parity	12/30/08	04/01/09-29	5.522%	\$ 257,375	\$ 11,045	\$ 247,355	\$ 10,020
2010 Parity, Series A <sup>b</sup>	05/26/10	02/01/21-40	3.566	181,625	—	—	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	43,815	350,445	246,425
2010 Parity, Series C <sup>c</sup>	05/26/10	02/01/11-40	3.113	13,275	—	—	13,275
2011 Parity, Series A, Refunding	02/08/11	02/01/11-36	4.544	296,315	11,415	226,985	69,330
2011 Parity, Series B <sup>d</sup>	02/08/11	02/01/11-27	1.957	10,000	—	—	10,000
2012 Parity, Series A	07/17/12	06/01/41	3.148	293,280	18,125	67,510	225,770
2012 Parity, Series C <sup>d</sup>	07/17/12	06/01/33	0.586	43,000	—	—	43,000
2013 Parity	07/09/13	07/01/43	4.051	190,755	3,310	15,370	175,385
2014 Parity	11/05/14	09/01/44	3.098	265,210	15,715	48,775	216,435
2015 Parity, Series A	07/09/15	05/01/45	3.566	171,850	6,165	16,890	154,960
2015 Parity, Series B-1	07/23/15	05/01/45	1.62 - 2.49	50,000	50,000	50,000	—
2015 Parity, Series B-2	07/23/15	05/01/45	1.62 - 2.49	50,000	50,000	50,000	—
2016 Parity, Series A d	01/28/16	01/01/41	1.029	31,870	—	—	31,870
2016 Parity, Series B, Refunding	01/28/16	04/01/29	2.080	116,875	—	1,535	115,340
2016 Parity, Series C, Refunding	09/28/16	10/01/46	2.926	160,815	2,250	4,350	156,465
2017 Parity, Series A	01/27/17	11/01/46	1.383 - 2.303	50,000	49,110	50,000	—
2017 Parity, Series B	01/27/17	11/01/46	1.383 - 2.303	50,000	49,110	50,000	—
2017 Parity, Series C, Refunding	09/28/17	09/01/47	3.160	385,530	5,135	5,135	380,395
2018 Parity, Series A	06/19/18	01/01/48	3.530	263,755	—	—	263,755
2018 Parity, Series B-1	09/04/18	05/01/45	1.77 - 2.00	50,135	—	—	50,135
2018 Parity, Series B-2	09/04/18	05/01/45	1.77 - 2.00	50,135	—	—	50,135
2018 Parity, Series C-1	09/04/18	11/01/46	1.63 - 2.20	49,245	630	630	48,615
2018 Parity, Series C-2	09/04/18	11/01/46	1.63 - 2.20	49,245	630	630	48,615
Total Light Bonds				\$ 3,677,160	\$ 316,455	\$ 1,185,610	\$ 2,491,550

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup> Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>c</sup> Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>d</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>e</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

**Table 9-6**  
**Page 2 of 2**

Name and Purpose of Issue	REVENUE BONDS (In Thousands)						Bonds Outstanding December 31, 2018	
	Issuance	Maturity	Effective Interest	Bond	Redemptions			
	Date	Dates	Rates <sup>e</sup>	Issuance	2018	To Date <sup>a</sup>		
<b>MUNICIPAL WATER BONDS</b>								
2008 Parity, Refunding	12/15/08	02/01/09-38	4.978%	205,080	6,670	205,080	—	
2010A Parity <sup>b</sup>	01/21/10	08/01/19-40	3.718	109,080	—	—	109,080	
2010B Parity, Refunding	01/21/10	08/01/10-27	3.298	81,760	6,220	47,095	34,665	
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	12,400	58,610	180,160	
2015 Parity, Refunding	06/10/15	11/01/15-45	3.183	340,840	10,850	37,355	303,485	
2017 Improvement & Refunding	01/25/17	08/01/17-46	2.992	194,685	4,880	4,880	189,805	
Total Water Bonds				1,170,215	41,020	353,020	817,195	
<b>MUNICIPAL DRAINAGE AND WASTEWATER BONDS</b>								
2008 Parity, Refunding	04/16/08	06/01/09-38	4.830	84,645	1,975	84,645	—	
2009 Parity & Series A <sup>b</sup>	12/17/09	11/01/17-39	3.538	102,535	3,105	6,130	96,405	
2009 Parity, Series B	12/17/09	11/01/10-27	2.907	36,680	935	26,140	10,540	
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	7,635	42,275	179,815	
2014 Parity & Refunding	06/17/14	05/01/15-44	3.578	133,180	2,005	7,595	125,585	
2016 Parity & Refunding	06/22/16	10/01/16-46	2.921	160,910	1,650	3,430	157,480	
2017 Improvement & Refunding	06/28/17	07/01/18-47	3.148	234,125	7,920	7,920	226,205	
Total Drainage and Wastewater Bonds				974,165	25,225	178,135	796,030	
<b>MUNICIPAL SOLID WASTE BONDS</b>								
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	400	81,760	415	
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,310	7,765	37,985	
2014 Revenue & Refunding	06/12/14	05/01/15-39	3.337	95,350	3,830	7,635	87,715	
2015 Revenue	06/25/15	02/01/16-40	3.650	35,830	840	2,280	33,550	
2016 Revenue & Refunding	06/30/16	12/01/16-41	2.793	35,335	395	775	34,560	
Total Solid Waste Bonds				294,440	6,775	100,215	194,225	
Total Utility Revenue Bonds				\$ 6,115,980	\$ 389,475	\$ 1,816,980	\$ 4,299,000	

<sup>a</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

<sup>b</sup> Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>c</sup> Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

<sup>d</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>e</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

# The City of Seattle

The requirements to amortize the revenue bonds as of December 31, 2018 are presented below:

**Table 9-7**

**ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
REVENUE BONDS**  
*(In Thousands)*

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 119,410	\$ 107,871	\$ 43,080	\$ 38,260	\$ 26,425	\$ 35,413	\$ 7,120	\$ 8,757	\$ 386,336
2020	119,025	101,531	45,625	36,100	27,575	34,170	7,045	8,405	379,476
2021	118,115	96,087	46,235	33,892	27,300	32,861	7,400	8,045	369,935
2022	117,930	90,334	48,725	31,594	28,610	31,509	7,775	7,668	364,145
2023	120,300	84,432	50,870	29,137	28,640	30,080	8,170	7,271	358,900
2024 - 2028	522,720	337,131	221,515	110,429	160,420	127,791	47,515	29,716	1,557,237
2029 - 2033	369,335	239,964	175,035	62,548	166,190	88,881	58,855	17,582	1,178,390
2034 - 2038	415,810	159,163	114,460	29,901	155,630	53,465	39,015	6,403	973,847
2039 - 2043	390,940	75,621	49,565	9,803	115,500	23,534	11,330	449	676,742
2044 - 2048	197,965	16,197	22,085	1,565	59,740	4,174	—	—	301,726
Total	<u>\$ 2,491,550</u>	<u>\$ 1,308,331</u>	<u>\$ 817,195</u>	<u>\$ 383,229</u>	<u>\$ 796,030</u>	<u>\$ 461,878</u>	<u>\$ 194,225</u>	<u>\$ 94,296</u>	<u>\$ 6,546,734</u>

## NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

Seattle Public Utilities (SPU) has various construction projects that are financed by low-interest loans issued by the State of Washington. The loan agreements require that SPU finance a portion of these projects from other sources. These loans have been used to enhance and protect the City's water, drainage, and wastewater systems.

### Water

In 2008, SPU - Water entered into two loan agreements to borrow \$8.1 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent interest per year and a repayment of 18 to 19 years. Proceeds from these loans were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2018, these loans have an outstanding balance of \$3.3 million.

In 2009, SPU - Water entered into a loan agreement to borrow \$3.0 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent per annum and payable in 19 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2018, this loan has an outstanding balance of \$1.4 million.

Also in 2009, SPU - Water entered into two loan agreements to borrow a total of \$10.3 million from the Washington State Department of Commerce under its Public Works Trust Loan program. The loans were used to finance the Maple Leaf Reservoir project. The first loan, bears interest at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2018, these loans have an outstanding balance of \$6.9 million.

In 2014, SPU - Water entered into a loan agreement, totaling \$12.1 million, to borrow from the Washington State Department of Commerce under its Public Work Loan program at 1.5 percent per annum and payable in 20 years. Proceeds from this loan were used to finance the Morse Lake Pump project. An initial draw on \$7.3 million was done in 2015. Subsequent draws on \$3.6 million were done in 2016. In 2017, an additional draw on \$1.2 million was done, and SPU - Water entered into the second portion of loan agreements to borrow \$6.1 million in 2017 at 1.5 percent per annum and payable in 20 years. As of December 31, 2018, this loan has an outstanding balance of \$17.3 million.

Amounts paid for all loans in 2018 were \$2.0 million in principal and \$0.8 million in interest. Total loans outstanding as of December 31, 2018 are \$28.9 million. The minimum debt service requirements to maturity are included in Table 9-8.

## **Drainage and Wastewater**

During 2004, SPU - Drainage and Wasterwater entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under the Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2018, this loan has an outstanding balance of \$1.2 million.

In 2005, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2018, the loan has an outstanding balance of \$1.5 million.

In 2006, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 19 years. As of December 31, 2018, the loan has an outstanding balance of \$1.4 million.

In 2008, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2011. As of December 31, 2018, the loan has an outstanding balance of \$4.4 million.

In 2009, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. Amounts borrowed under this agreement accrue interest at 2.9 percent per annum and are to be repaid by December 2020. As of December 31, 2018, the loan has an outstanding balance of \$0.1 million.

In 2011, SPU - Drainage and Wasterwater was approved for a Public Works Trust Loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.25 percent per annum and are to be repaid by June 2032. As of December 31, 2018, the loan has an outstanding balance of \$2.8 million.

In 2012, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2018, the loan has an outstanding balance of \$1.5 million.

In 2017, SPU - Drainage and Wasterwater entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$39.4 million for construction of storage facilities to reduce the frequency and volume of Henderson North Combined Sewer Overflow. Amounts borrowed under this agreement accrue interest at 2.4 percent per annum and are to be repaid by February 2037. SPU - Drainage and Wasterwater has drawn \$32.0 million in 2017 and \$4.4 million in 2018. As of December 31, 2018, the loan has an outstanding balance of \$34.5 million.

Amounts paid to all loans in 2018 were \$3.1 million in principal and \$0.6 million in interest. Total loans outstanding as of December 31, 2018 are \$47.4 million. The minimum debt service requirements to maturity are included in Table 9-8.

# The City of Seattle

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**ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**  
**SEATTLE PUBLIC UTILITIES**  
**PUBLIC WORKS TRUST LOAN AND OTHER NOTES**  
*(In Thousands)*

Table 9-8

Year Ending December 31	Water			Drainage and Wastewater			Total
	Principal	Interest		Principal	Interest		
2019	\$ 2,050	\$ 407		\$ 2,745	\$ 973		\$ 6,175
2020	2,050	378		2,793	922		6,143
2021	2,050	349		2,769	871		6,039
2022	2,050	321		2,817	821		6,009
2023	2,050	292		2,866	769		5,977
2024 - 2028	8,992	1,039		13,733	3,038		26,802
2029 - 2033	6,254	501		11,908	1,665		20,328
2034 - 2038	3,381	120		7,748	378		11,627
Total	<u>\$ 28,877</u>	<u>\$ 3,407</u>		<u>\$ 47,379</u>	<u>\$ 9,437</u>		<u>\$ 89,100</u>

The following table shows the long-term liability activities during the year ended December 31, 2018:

**Table 9-9**

**CHANGES IN LONG-TERM LIABILITIES <sup>a</sup>**  
**(In Thousands)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 1,012,535	\$ 49,975	\$ 85,040	\$ 977,470	\$ 80,560
Issuance Premiums and Discounts, Net	82,416	3,187	8,954	76,649	—
Special Assessment Bonds with Governmental Commitment <sup>b</sup>	6,075	—	1,100	4,975	—
Total Bonds Payable	1,101,026	53,162	95,094	1,059,094	80,560
Notes and Contracts					
Capital Leases	105	—	70	35	25
Other Notes and Contracts	9,425	—	1,355	8,070	1,275
Total Notes and Contracts	9,530	—	1,425	8,105	1,300
Compensated Absences	100,518	—	12,068	88,450	7,402
Claims Payable					
General Contamination Cleanup <sup>c</sup>	(12,764)	29,446	4,649	12,033	198
Workers' Compensation	28,970	1,086	—	30,056	12,893
General Liability	47,920	13,298	—	61,218	17,555
Health Care Claims	3,250	1,721	—	4,971	—
Total Claims Payable <sup>d</sup>	67,376	45,551	4,649	108,278	30,646
Arbitrage Rebate Liability	—	—	—	—	—
Unfunded Other Post Employment Benefits	153,995	455,524	—	609,519	—
Net Pension Liability	951,462	—	122,650	828,812	—
Other Noncurrent Liabilities	2,635	—	254	2,381	—
Total Long-Term Liabilities from Governmental Activities	\$ 2,386,542	\$ 554,237	\$ 236,140	\$ 2,704,639	\$ 119,908
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Bonds	4,225,960	146,060	73,020	4,299,000	196,035
Issuance Premiums and Discounts, Net	397,914	1,965	8,884	390,995	—
Total Bonds Payable	4,623,874	148,025	81,904	4,689,995	196,035
Notes and Contracts - Other	77,026	—	770	76,256	4,795
Compensated Absences	31,602	—	2,506	29,096	1,930
Claims Payable					
General Contamination Cleanup <sup>c</sup>	248,662	60,030	7,331	301,361	8,194
Workers' Compensation	11,572	—	1,910	9,662	4,164
General Liability	18,539	—	4,767	13,772	2,307
Total Claims Payable <sup>d</sup>	278,773	60,030	14,008	324,795	14,665
Unearned Revenues	32,498	42,598	—	75,096	32,980
Habitat Conservation Program Liability	5,534	1,191	—	6,725	604
Landfill Closure and Postclosure Costs	24,079	576	—	24,655	1,708
Unfunded Other Post Employment Benefits	17,128	691	—	17,819	—
Net Pension Liability	544,207	—	100,010	444,197	—
Other Noncurrent Liabilities	2,553	—	1,749	804	—
Total Long-Term Liabilities from Business-Type Activities	\$ 5,637,274	\$ 253,111	\$ 200,947	\$ 5,689,438	\$ 252,717

<sup>a</sup> Some amounts may have rounding differences with the Statement of Net Position.

<sup>b</sup> The Special Assessment Bonds carry neither premiums nor discounts.

<sup>c</sup> See Note 10, Environmental Liabilities for a detailed discussion.

<sup>d</sup> See Note 15, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 16 also includes information on workers' compensation and health care.

The City's internal service funds predominantly serve governmental funds. For this reason, the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$11.9 million and \$1.3 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans), compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as a general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they become due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Construction and Inspections (DCI) for general liability. The General Fund pays for DCI's general liability, if any. Environmental liabilities of governmental activity funds are paid from the governmental funds while environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from SCL. For further discussion on purchased power, see Note 14, Commitments.

## ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net position. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraph discusses the advance and current refunding activities.

### General Government

The refunding portion of the \$103.7 million LTGO Improvement and Refunding Bonds, 2016 A, issued by the City on 5/25/2016, were used partially to refund the 2006 and 2009 LTGO bonds. The aggregate total debt service of the refunded bonds would require a cash flow of \$34.4 million to maturity. With this refunding , the aggregate total debt service of the refunding bonds require a cash flow of \$31.1million, which results in a saving of \$3.3 million in debt service The net present value of this saving is \$2.8 million.

### City Light

Proceeds from the 2018 Series B and C Bonds were used to refund \$100.0 million of the 2015 Series B Bonds and \$98.2 million of the 2017 Series A and B Bonds. The 2018 Series B and C Bonds refunded the 2015 Series B and 2017 Series A and B Bonds on a current basis and there was no savings or accounting gain or loss on the refunding. Refunding on a current basis is a refunding transaction where the municipal securities being refunded will all mature or be redeemed within 90 days or less from the date of issuance of the refunding issue.

Proceeds from the 2017 Series A and B Bonds were used to finance certain capital improvement and conservation programs. Proceeds from the 2017 Series C Bonds were used to refund \$145.1 million of the 2011 Series A Bonds, to finance certain capital improvement and conservation programs, and to make a deposit to the reserve fund. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2017 Series C Bonds totaled \$21.5 million and the aggregate economic gain on refunding totaled \$18.9 million at present value. The accounting loss on refunding for the 2017 Series C Bonds was \$11.0 million.

## **Water**

SPU - Water Fund did not issue any new bonds in 2018. The Fund defeased certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Thus, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Statement of Net Position. In 2018, \$149.8 million bonds were redeemed. There is no outstanding balance as of December 31, 2018.

## **Drainage and Wastewater**

SPU - Drainage and Wastewater Fund did not issue any new bonds in 2018. The Fund defeased certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Statement of Net Position. In 2018, \$68.4 million bonds were redeemed. There is no outstanding balance as of December 31, 2018.

## **Solid Waste**

Seattle Public Utilities did not issue any new bonds in 2018.

The following is a schedule of outstanding bonds that are either refunded or defeased.

**Table 9-10**

### **REFUNDED/DEFEASED BONDS (In Thousands)**

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Original Bond Issuance	LTD Amount Transferred To Trustee	Trustee Redemptions To Date 2018	Defeased Outstanding December 31, 2018
<b>GENERAL OBLIGATION BONDS</b>							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2008, Refunded 5/21/15	07/02/08	12/01/08-28	4.398%	\$ 139,830	\$ 97,837	\$ 84,740	\$ —
Various Purpose and Refunding, 2009, Refunded 5/25/16	03/25/09	11/01/09-05/01/34	3.574	99,860	24,090	—	24,090
<b>REVENUE BONDS</b>							
Municipal Light and Power							
2008 Parity	12/30/08	04/01/29	5.522	257,375	122,785	—	122,785
2010 Parity, Series B	05/26/10	02/01/26	3.413	596,870	32,020	—	32,020
2011 Parity, Series A	02/08/11	02/01/36	4.544	296,315	145,115	—	145,115
Municipal Water							
2008 Parity	12/15/08	02/01/09-38	4.978	205,080	149,770	149,770	—
Municipal Drainage and Wastewater							
2008 Parity	04/16/08	06/01/08-38	4.830	84,645	68,380	68,380	0
Municipal Solid Waste							
N/A							
Total Refunded/Defeased Bonds				\$ 1,679,975	\$ 639,997	\$ 302,890	\$ 324,010

## **ARBITRAGE**

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$0.2 million on its general obligation bonds in 2011 and none thereafter. As of December 31, 2018, the City reported no arbitrage rebate liability on its general obligation bonds and \$0.4 million on its revenue bonds.

## (10) ENVIRONMENTAL LIABILITIES

Following are discussions of the significant sites:

- **The Harbor Island Superfund Site** - In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The City and other entities are sharing costs equally for investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island. The City of Seattle is one of four parties who are conducting remedial investigation and feasibility study that will delineate cleanup actions. A draft final feasibility study was submitted to EPA in October 2016. Nine alternative actions were presented with costs ranging from \$256.0 million to \$411.0 million with an estimated time to complete construction on active cleanup components ranging from 9 to 13 years. The EPA, however, has not identified the cleanup construction timing and cost estimate at this time. The project manager has identified that the total liability may be up to \$300.0 million, of which, approximately \$100.0 million is the City's share. The Feasibility Study (FS) was completed in 2017. There was no change in the estimated liability. The final FS will be submitted to EPA in 2019 and the proposed plan is expected to be released sometime in 2019. Ongoing work is expected to cost the City \$0.7 million. While the timing of clean-up construction will not be known until the Agency identifies a preferred remedy, the final FS has identified a range of costs on which the clean-up estimate is based. The City's ultimate liability is indeterminate.
- **The Lower Duwamish Waterway Superfund Site** - In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership or use of property along the river. The City of Seattle is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (Ecology) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway. In December 2014, the EPA issued its final Record of Decision (ROD) indicating its preferred alternative clean-up with a discounted estimated cost of \$342.0 million, from the total estimated cost of \$394.0 million. This estimate was recalculated to its 2018 current value using a starting point of the undiscounted estimated cost of \$394.0 million plus an average Marine Construction Inflation Factor of 1.038 annually. This recalculation resulted in a revised estimated total project cost of \$504.2 million.

There have been four amendments to the AOC. The first amendment required Lower Duwamish Waterway Group (LDWG) to complete the Fisher Study which was completed in 2016; the second amendment required the completion of carbon study which was constructed in the first quarter of 2017 and will continue through 2020; and the third amendment required additional pre-design activities. The workplan for pre-design work was approved by EPA in August 2017 and is expected to continue through 2020. The extent and cost of additional investigation work required prior to implementation of remedy is still unknown. In July 2018, EPA issued a 4th amendment to the AOC requires LDWG to (1) Design the remedy for river mile 3.0 to river mile 5 of Lower Duwamish Waterway Site (the "LDW Upper Reach"), consistent with the Lower Duwamish Waterway ROD and CERCLA; (2) incorporate and supersede the work being carried out under the Third Amendment to this AOC in support of the development of seafood consumption institutional controls for the Site; and (3) provide for timely periodic monitoring of selected site conditions, as necessary. The Department's ultimate liability is indeterminate. The City's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The City and other three parties who signed the AOC with the EPA agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. There are 44 parties participating in allocation. The City hired an allocator and the allocation process began in April 2014. The City agreed to administer the allocator's contract. Parties participating in the allocation process will share the cost of the allocator and the process.

The City is also responsible for investigation and cleanup at the Port of Seattle Terminal 117 Streets, Uplands and Sediments sites. The South Park street is not owned by the City, but the City has jurisdiction over the streets and right-of-ways. Remediation activities for streets were completed in August 2016. The City's share for the uplands and sediments site is paid 100 percent. The final construction closeout and project closeout was approved by EPA in July 2018. In September 2018, the Long-term Monitoring and Maintenance Plan (LTMMMP) was approved by EPA. An annual report will be submitted each year with the first report submitted in March 2019.

- **South Park Marina** - Ecology has notified the City that it is a Potentially Liable Party for contamination at South Park Marina, which is adjacent to Terminal 117. Negotiations for an Agreed Order between Ecology and Potential Liable Parties (PLP) have resulted in an Agreed order to conduct a Remedial Investigation only. The final Order is with PLPs for signatures. The City is going to administer the contract with common consultants. The City, the Port of Seattle and South Park Marina have agreed to share costs equally. The City's ultimate liability is indeterminate.
- **North Boeing Field/Georgetown Steam Plant** - The City, King County, and Boeing signed an Administrative Order issued by Ecology requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay 67 percent of the costs for Ecology's implementation of the current order. The order requires completion and then implementation of a remedial investigation and feasibility study. The final Remedial Investigation (RI) work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making the PLPs responsible for conducting and completing remedial action at the site. The City is responsible for 1/3 of the costs. The draft RI was submitted in June 2016. Ecology directed additional investigation in offsite area following the submittal of RI. The additional investigation and negotiation on RI comments has delayed the submittal of the revised draft RI until 2019. The FS process will begin following approval of RI. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities. The final liability is indeterminate.
- **Gas Works Park Sediment Site** - In April 2002, Ecology named the City and another party, Puget Sound Energy (PSE), as PLPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with the DOE in 2005 to initiate two RIs and FSs for the sediment site - one in the western portion of the site led by the City, and another in the eastern portion of the site led by PSE. Subsequently, in fall of 2012, the City and PSE entered into a Settlement, Release, and Cost Allocation Agreement that puts PSE in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by PSE for the cleanup work. The RI and FS include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments and a recommended preferred alternative. PSE collected additional environmental data in 2013 and the draft RI/FS was submitted to Ecology in March 2016. A revised draft RI/FS is anticipated to be submitted to Ecology in 2019. A Clean-up Action Plan, which is the States' equivalent to a Record of Decision under the Model Toxics Control Act, is expected in 2020.
- **7th Avenue South Pump Station** - The City acquired land in the South Park area of Seattle to construct the 7th Ave South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012; however, the City has ongoing monitoring activities it must perform.
- **South Park Landfill** - The City and a private developer are under a Consent Decree with Ecology to implement a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. Ecology has approved the remediation and redevelopment on the City-owned portion of the landfill property. That work is in design phase, and construction is scheduled to be completed by 2022. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. In 2015, the developer completed Ecology-approved interim cleanup action on its portion of the site.

The City has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed that defined a particular solution for a given site. Scenarios considered relevant potential requirements and alternatives for remediation of a site.

Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price fluctuations, technology advances, or applicable laws or regulations.

# The City of Seattle

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The City is pursuing other third parties that may have contributed to the contamination of superfund sites for appropriate cost sharing. Recoveries from other parties for their share of remediation work performed that partially offset the City's estimated environmental liabilities were deemed not realizable as of December 31, 2018. Certain environmental costs were deferred primarily for cleanup estimates of the City's responsibility for the Lower Duwamish Waterway sites and these costs are being amortized and will be recovered through future rates in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The changes in the provision for environmental liability (in thousands) at December 31, 2018 are as follows:

2018
Beginning Environmental Liability, Net of Recovery
\$ 235,899
Payments or Amortization
(11,981)
Incurred Environmental Liability
89,477
<hr/>
Ending Environmental Liability, Net of Recovery
<hr/> <hr/> \$ 313,395

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2018 are as follows:

2018
Environmental Liability, Current
\$ 8,392
Environmental Liability, Noncurrent
305,003
<hr/>
Total
<hr/> <hr/> \$ 313,395

Information on the City's environmental liability is also presented in Table 9-9 of Note 9, Long-Term Debt.

## (11) PENSIONS, DEFERRED COMPENSATION, AND OTHER POSTEMPLOYMENT BENEFITS

The City's employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Firemen's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF Plans 1 and 2. The following table represents the aggregate pension amounts (in thousands) for all plans for the year 2018:

**Table 11-1**

### Aggregate Pension Amounts - All Plans

Pension liabilities	\$1,273,009
Pension assets	\$249,211
Deferred outflows of resources	\$69,130
Deferred inflows of resources	\$244,128
Pension expense	\$116,549

**SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)****Plan Description**

The Seattle City Employees' Retirement System (SCERS) is a cost sharing multiple employer defined benefit public employee retirement plan. SCERS is established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36. SCERS is a pension trust fund of the City.

SCERS is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Human Resources Director, two active members and one retired member of the System who are elected by other SCERS members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who established membership in the SCERS when these organizations were formerly City of Seattle departments were allowed to continue their membership (there are currently fewer than 50 members in this category). There are currently 6,534 retirees and beneficiaries receiving benefits, and 9,283 active members of the System. There are 1,312 terminated, vested employees entitled to future benefits, based on the 2017 financial report issued by SCERS.

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after 5 years of credited service, while death and disability benefits vest after 10 years of credited service. Retirement benefits are calculated as 2 percent multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. SCERS provides post-retirement benefit increase including an automatic 1.5 percent annual Cost-of-Living Adjustment (COLA) increase and a 65 percent restoration of purchasing power benefit.

The City adopted a second tier for SCERS in 2016. Starting January 1, 2017, new eligible employees will join this second tier. The tier is a defined benefit plan much like the original tier but has a lower contribution rate for members and calculates final average salary based on the highest 60 consecutive months of services. Other changes related to the new tier can be found in the Seattle Municipal Code 4.36.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage.

SCERS issues an independent financial report. A copy of the report is available from the SCERS office, located at 720 Third Avenue, Suite 900, Seattle, WA, 98104; by telephone at 206-386-1293; or by accessing the website [http://www.seattle.gov/retirement/annual\\_report.htm](http://www.seattle.gov/retirement/annual_report.htm).

**Summary of Significant Accounting Policies****Basis of Accounting**

SCERS is accounted for as a pension trust fund. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position are recognized when the transactions or events occur. Employees and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Plan investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. All investments are valued based on objective, observable, unadjusted quoted market prices in an active market on the measurement date, if available. In the absence of such data, valuations are based upon those of comparable securities in active markets. For illiquid or hard to value investments such as real estate, private equity, and other private investments, valuations are based upon data provided by the respective investment managers. These private

asset valuations are generally based upon estimated current values and/or independent appraisals.

Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest and dividend income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

## Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

The employer contribution rate is determined by the actuarial formula identified as the Entry Age Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total required contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations.

Based on the 2017 financial report issued by SCERS, most members contribute a fixed 10.03 percent of pay and minimum actuarially determined employer contribution rate was 15.29 percent for 2017. There are no long-term contracts for contributions outstanding and currently no legally required reserves.

As of December 31, 2017, SCERS reported total pension liability of \$4.0 billion, plan fiduciary net position of \$2.9 billion, the net pension liability \$1.1 billion, and the funded ratio of 72.04 percent based on the actuarial valuation as of January 1, 2017.

An actuarial report with valuation date of January 1, 2018, is presently underway, and expected to be available at the Retirement Office after June 1, 2019.

## Information about the Net Pension Liability

### Assumptions and Other Inputs

The City's total pension liability under SCERS was determined by the actuarial valuation as of January 1, 2017, with the results rolled forward to the December 31, 2017, measurement date. The actuarial assumptions that determined the total pension liability were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2013.

Inflation: 3.25 percent

Salary Increases: 4.00 percent

Investment rate of return: 7.50 percent compounded annually, net of expenses

Mortality rates were calculated and projected based on the RP-2000 mortality tables and using generational project of improvement using Projection Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return and target allocation for each major asset class as of December 31, 2017 are summarized in the following table:

**Table 11-2**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.94%	48.0%
Equity: Private	6.25	9.0
Fixed Income: Core	0.42	16.0
Fixed Income: Credit	3.30	7.0
Real Assets: Real Estate	3.66	12.0
Real Assets: Infrastructure	3.00	3.0
Diversifying Strategies	3.09	5.0
		<b>100.0%</b>

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 3.25 percent for the same time period.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to apply the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be when the discount rate moves one percentage point lower and higher (in thousands):

**Table 11-3**

	1% Lower	Current	1% Higher
	6.5%	7.5%	8.5%
Net Pension Liability	\$ 1,586,043	\$ 1,106,616	\$ 703,332

There were no significant changes in assumptions since the last valuation and the inflation rate, growth rate and discount rate remained same.

### Changes in the Net Pension Liability

On December 31, 2017, SCERS reported the collective net pension liability of \$1.1 billion, of which the City recorded \$1.1 billion for its proportionate share of the collective net pension liability. The City's proportion is based on the City's contributions to the plan. The following table shows the changes in the City's proportionate share of the net pension liability for the year ended December 31, 2017, which was rolled forward to come up with the net pension liability as of December 31, 2018 (in thousands):

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**Table 11-4**

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 3,791,655	\$ 2,487,254	\$ 1,304,401
Changes for the Year			
Service Cost	112,635	—	112,635
Interest on Total Pension Liability	281,220	—	281,220
Effect of Plan Changes	—	—	—
Effect of Economic/Demographic	(29,161)	—	(29,161)
Effect of Assumptions Changes or Inputs	—	—	—
Benefit Payments	(179,137)	(179,137)	—
Refund Contributions	(19,149)	(19,149)	—
Administrative Expenses	—	(12,124)	12,124
Member Contributions	—	73,614	(73,614)
Employers Contributions	—	112,047	(112,047)
Net Investment Income	—	388,942	(388,942)
Balance at December 31, 2017	<u>\$ 3,958,063</u>	<u>\$ 2,851,447</u>	<u>\$ 1,106,616</u>

## Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

The City recognized its proportionate share of pension expense in the amount of \$138.1 million for 2018. The City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan at December 31, 2018 as follows (in thousands):

**Table 11-5**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 901	\$ 28,727
Change of Assumption	—	—
Net Difference Between Projected and Actual Earnings	—	97,649
Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	49,080	49,490
Contributions Made Subsequent to Measurement Date	—	—
Total	<u>\$ 49,981</u>	<u>\$ 175,866</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense in the fiscal years ended December 31 as follows (in thousands):

**Table 11-6**

Year Ended December 31

2018	(8,661)
2019	(17,248)
2020	(50,634)
2021	(46,685)
2022	(2,657)
Thereafter	—

**FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS****Plan Description**

The Firemen's Pension and the Police Relief and Pension Funds are single-employer defined-benefit pension plans that were established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20.

Since the effective date of the state LEOFF on March 1, 1970, no payroll for employees was covered under these pension plans, and the primary liability for pension benefits for these plans shifted from the City to the state LEOFF. However, the City was still liable for all benefits in pay status at that time plus any future benefits payable to active law enforcement officers and firefighters on March 1, 1970, under the old City plan in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan when payment begins. However, LEOFF retirement benefits increase with the consumer price index (CPI - Seattle) while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for this residual amount. Due to this leveraging effect, projection of the City of Seattle's liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and firefighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and firefighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 734 fire and 666 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare.

Refer to the Other Postemployment Benefits (OPEB) section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage as well as medical benefits for retirees under the Firemen's Pension and Police Relief and Pension plans.

The Firemen's Pension and Police Relief and Pension benefit provisions are established in the state statute, RCW 41.16, 41.18, and 41.20, and may be amended only by the state legislature. Retirement benefits are determined under RCW 41.18 and 41.26 for Firemen's Pension and RCW 41.20 and 41.26 for Police Relief and Pension. Medical benefit payments for both plans are based on estimates of current and expected experience.

These pension plans do not issue separate financial reports.

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2018:

**Table 11-7**

	<b>Firemen's Pension</b>	<b>Police Relief and Pension</b>
Retirees and Beneficiaries Receiving Benefits	\$ 619	\$ 685
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	—	—
Active Plan Members, Non-vested	—	—

## Summary of Significant Accounting Policies

The City fully implemented Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68*, in 2017. The City has determined that the Fireman's Pension and Police Relief Funds are not reported as governmental funds, and therefore accounted for as part of the General Fund. The financial statements for the Firemen's Pension and Police Relief and Pension Funds were prepared using the current financial resources measurement focus and the modified accrual basis of accounting. These pension plans do not issue separate financial reports.

Investments are recorded at fair value as shown in Note 3. Fair value of investments is based on quoted market prices.

## Contributions and Reserves

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City. The Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the general fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the general fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the general fund. Contribution rates are not applicable to these plans.

There are no securities held by the City for these pension funds except for the Firemen's Pension Actuarial Account described below. No loans are provided by the funds to the City or other related parties.

In July 1994, the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. In 2006, the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The funding policy does not fund for future medical liabilities. The employer contributions for retiree medical are set equal to the disbursements for medical benefits and administration. All other contributions are considered pension contributions. The market value of the net assets of Firemen's pension was \$20.8 million as of December 31, 2018. No similar program has been established for the Police Relief and Pension Fund.

The Total Pension Liability (TPL) as of December 31, 2018, based on the actuarial valuation as of January 1, 2018, was \$85.9 million for Firemen's Pension and \$80.5 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section.

## Information about the Total Pension Liability

### Assumptions and Other Inputs

The total pension liability was determined by an actuarial valuation as of the valuation date (January 1, 2018), calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date (December 31, 2018).

Mortality rates were calculated and projected based on the PR-2000 Mortality Table and using generational projection using 100 percent of Projection Scale BB, with ages set back one year for males and forward one year for females (set

forward two years for disabled members).

The expected inflation rate and salary increases including inflation are projected at 2.25 percent and 2.75 percent respectively.

#### **Discount Rate**

The discount rate used to measure total pension liability was 4 percent. GASB 73 requires the discount rate used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method) to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 4.10 percent as of December 27, 2018. Rounding this to the nearest 0.25 percent results in a discount rate of 4.00 percent as of the December 31, 2018 measurement date.

#### **Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the Total Pension Liability, calculated using the discount rate of 4 percent, as well as what the Total Pension Liability would be when the discount rate moves one percentage point lower and higher (in thousands):

**Table 11-8**

		Current Discount Rate			1% Higher 5%
		1% Lower 3%	4%	1% Higher 5%	
Fire Pension Plan	Total Pension Liability	\$ 93,538	\$ 85,880	\$ 79,239	
Police Relief Pension	Total Pension Liability	86,971	80,513	74,857	

#### **Changes in the Total Pension Liability**

At December 31, 2018, the Firemen's Pension and the Police Relief and Pension plans reported the pension liability of \$85.9 million and \$80.5 million respectively.

**Table 11-9**

<i>(In Thousands)</i>	Total Pension Liability		Total Pension Liability Police Relief and Pension
	Firemen's Pension	Police Relief and Pension	
Balance at December 31, 2017	\$ 98,573	\$ 92,956	
Changes for the Year			
Service Cost	—	—	
Interest on Total Pension Liability	3,325	3,024	
Effect of Plan Changes	—	—	
Effect of Economic/Demographic	(2,082)	2,569	
Effect of Assumptions Changes or Inputs	(6,739)	(4,809)	
Benefit Payments	(7,197)	(13,227)	
Balance at December 31, 2018	<u>\$ 85,880</u>	<u>\$ 80,513</u>	

#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended December 31, 2018, the City recognized a reduction of pension expenses in the amount of \$4.7 million for the Firemen's Pension and the Police Relief and Pension plans. On December 31, 2018, there were no deferred outflows of resources or deferred inflows of resources related to these pension plans.

## LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans, LEOFF Plan 1 and 2.

LEOFF 1 and 2 are administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

**Table 11-10**

Term of Service	Percent of FAS
20+	2.0 %
10 - 19	1.5
5 - 9	1.0

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund LEOFF Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

**Table 11-11**

Actual Contribution Rates	Employer	Employee
State and local governments	5.05%	8.75%
Administrative Fee	0.18%	—
<b>Total</b>	<b>5.23%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	—
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The City's actual contributions to the LEOFF plan 2 were \$16.2 million for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68.2 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount was \$10.2 million.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75 percent total economic inflation; 3.50 percent salary inflation
- **Salary increases:** In addition to the base 3.50 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4 percent

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries (SOA). SOA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.7 percent to 7.5 percent for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.5 percent to 7.40 percent.
- Lowered the assumed general salary growth from 3.75 percent to 3.50 percent for all systems.
- Lowered assumed inflation from 3.00 percent to 2.75 percent for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, for certain LEOFF 2 medical-related duty disability benefits.

# The City of Seattle

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## Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

## Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

## Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

**Table 11-12**

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.0%	1.7%
Tangible Assets	7.0	4.9
Real Estate	18.0	5.8
Global Equity	32.0	6.3
Private Equity	23.0	9.3
	<b>100%</b>	

## Sensitivity of NPL

The table below presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate (in thousands):

**Table 11-13**

	City's Proportionate Share of Net Pension Asset					
	1% Decrease		Current Discount Rate		1% Increase	
	6.4%	7.4%	7.4%	8.4%		
Plan 1	\$ 51,617	\$ 64,885	\$ 76,308			
Plan 2	24,512	184,326	314,673			

## **Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

## **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the City reported a pension asset of \$249.2million for its proportionate share of the net pension assets (in thousands) as follows:

**Table 11-14**

	<b>City's Proportionate Share of Net Pension Asset</b>
LEOFF 1	\$ 64,885
LEOFF 2	184,326
Total	<b>\$ 249,211</b>

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows (in thousands):

**Table 11-15**

	<b>Proportionate Share of Plan 2 Net Pension Asset</b>
Employer's Proportionate Share	\$ 184,326
State's Proportionate Share Associated with the Employer	119,348
Total	<b>\$ 303,674</b>

At June 30, the City's proportionate share of the collective net pension asset was as follows:

**Table 11-16**

	<b>Proportionate Share as of June 30, 2018</b>	<b>Proportionate Share as of June 30, 2017</b>	<b>Change in Proportion</b>
LEOFF 1	3.57%	3.56%	0.01 %
LEOFF 2	9.08%	9.17%	(0.09)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

# The City of Seattle

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension asset of LEOFF 1 and 2 was measured as of June 30, 2018, and the actuarial valuation date on which the total pension asset is based was as of June 30, 2017, with update procedures used to roll forward the total pension asset to the measurement date.

## Pension Expense

For the year ended December 31, 2018, the City recognized its proportionate share of pension expense as follows:

**Table 11-17**

<b>Pension Expense</b>		
LEOFF 1	\$	(10,652)
LEOFF 2		(6,159)
Total	\$	<u><u>(16,811)</u></u>

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (In Thousands):

**Table 11-18**

	<b>LEOFF 1</b>		<b>LEOFF 2</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ —	\$ —	\$ 9,874	\$ 4,280
Net difference between projected and actual investment earnings on pension plan investments	—	5,268	—	32,260
Changes of assumptions	—	—	104	26,454
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	916	—
Contributions subsequent to the measurement date	—	—	8,255	—
<b>TOTAL</b>	<b>\$ —</b>	<b>\$ 5,268</b>	<b>\$ 19,149</b>	<b>\$ 62,994</b>

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

**Table 11-19**

Year ended December 31:	<b>LEOFF 1</b>		<b>LEOFF 2</b>	
2019	\$ 5	\$ (3,761)		
2020	(1,188)	(8,645)		
2021	(3,237)	(18,989)		
2022	(848)	(7,124)		
2023	—	(11,030)		

## **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

Beginning in 2006 the Deferred Compensation Plan (DCP) was amended to allow separating employees to cash out accrued vacation balances into their DCP accounts. Eligible retiring employees may also cash out up to 35 percent of their sick leave balances into their DCP accounts. Vacation and sick leave cash-outs made to the DCP are considered contributions and are subject to the maximum annual contribution limit.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan. Under the plan, participants select investments from alternatives offered by the plan administrator, who is under contract with the City to manage the plan. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the plan and its administration.

The City placed the Deferred Compensation Plan assets into trust for the exclusive benefit of plan participants and beneficiaries in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' Deferred Compensation Plan, created in accordance with IRC 457, is not reported in the financial statements of the City.

## **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City has three other postemployment benefits (OPEB) plans, Health Care Blended Premium Subsidy, OPEB benefits under Firemen's Pension, and Police Relief and Pension. In 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefit Other Than Pensions, which concerns the accounting for and disclosure of OPEB. The following table represents the aggregate OPEB amounts for all OPEB plans subject to the requirements of GASB Statement 75 for the year 2018. See Note 17, Restatement for more information regarding the implementation of GASB Statement 75.

**Table 11-20**

<i>(In Thousands)</i>	<b>Healthcare Blended Premium Subsidy</b>	<b>Firemen's Pension</b>	<b>Police Relief and Pension</b>	<b>All Plans</b>
OPEB liabilities	\$ 61,130	\$ 268,828	\$ 297,381	\$ 627,339
OPEB assets	—	—	—	—
Deferred outflows of resources	14,341	—	—	14,341
Deferred inflows of resources	19,692	—	—	19,692
OPEB expenses/expenditures	3,122	(18,473)	(21,301)	(36,652)

### **Plan Description**

Health Care Blended Premium Subsidy, is a single employer defined benefit public employee health care plan. Employees retiring under City of Seattle or the LEOFF 2 retirement plans may continue their health insurance coverage under the City's health insurance plans for active employees. LEOFF 1 employees retiring under Washington State PERS are covered under the LEOFF 1 retiree health plan but are eligible to have their spouses and/or dependents covered under the City health insurance plans. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City of Seattle, Washington LEOFF 2 plan or Social

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Security may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The City provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City ordinances.

OPEB under Firemen's Pension and Police Relief and Pension Plans - the City's implicit rate subsidies to retirees for health care coverage as well as medical benefits for retirees under the Firemen's Pension and Police Relief and Pension plans are single employer defined benefit OPEB plans and provide medical benefits for eligible retirees. The benefits are authorized under state statute, RCW 41.18 and 41.26 for Firemen's Pension, and RCW 41.20 and 41.26 for Police Relief and Pension and may be amended by the state legislature. The City funds these benefits on a pay-as-you go basis.

On December 31, 2018, the following employees were covered by the benefit terms:

**Table 11-21**

	<b>Health Care Blended Premium Subsidy</b>	<b>Firemen's Pension</b>	<b>Police Relief and Pension Plan</b>
Inactive employees or beneficiaries currently receiving benefits	398	711	635
Inactive employees entitled to but not yet receiving benefits	—	—	—
Active employees	11,823	6	4
Total	<b>12,221</b>	<b>717</b>	<b>639</b>

OPEB plans under Firemen's Pension and Police Relief and Pension were closed to new entrants.

All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

## Actuarial Methods and Assumptions

The total OPEB liability for each OPEB plan in their actuarial valuation was determined using the following actuarial assumptions and other inputs:

**Table 11-22**

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2018	1/1/2018	1/1/2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation rate	---	2.25%	2.25%
Salary Increases	---	2.75%	2.75%
Discount rate	3.44%, based on 20-year municipal bond yields	4.00%, based on 20-year municipal bond yields	4.00%, based on 20-year municipal bond yields
Healthcare cost trend rates	The trend rates were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by the City of Seattle. 7.00% in 2018, decreasing to 6.77% in 2019, and decreasing by varying amounts until 2030 thereafter.	The Modeling is based on the published report by the Society of Actuaries (SOA) on long-term medical trend. For pre-65, trend is 6.40% in 2019, decreasing to 5.80% in 2020, and decreasing to 5.1% in 2021 through 2022. For post-65, trend is 5.70% in 2019, decreasing to 5.40% in 2020, and decreasing by varying amounts until 2073 thereafter.	The Modeling is based on the published report by the Society of Actuaries (SOA) on long-term medical trend. For pre-65, trend is 6.40% in 2019, decreasing to 5.80% in 2020, and decreasing by varying amounts until 2028. For post-65, trend is 5.70% in 2019, decreasing to 5.40% in 2020, and decreasing by varying amounts until 2073 thereafter.
Morality rates	For actives, males: PR-2014 Employees Table for Males, adjusted by 60%; female: PR-2014 Employees Table for Females, adjusted by 95%. For Retirees, males: PR-2014 Healthy Annuitant Males, adjusted by 95%; female: PR-2014 Healthy Annuitant Females, adjusted by 95%. Rates are projected generationally using Scale MP-2014 ultimate rates.	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

The total OPEB liability was determined by an actuarial valuation as of the valuation date (January 1, 2018), calculated based on the discounted rates above, with the results rolled forward to the measurement date (December 31, 2018).

The following table presents the sensitivity of total OPEB liability calculation to a 1 percent increase and a 1 percent decrease in the discount rates used to measure the total OPEB liability for each plan:

**Table 11-23**

	Discount Rate Sensitivity		
	(In Thousands)		
	1% Decrease	Current Rate	1% Increase
<b>City of Seattle Health Care Blended Premium Subsidy Plan</b>			
Total OPEB Liability	\$67,176	\$61,130	\$55,657
<b>Firemen's Pension Plan</b>			
Total OPEB Liability	\$304,036	\$268,828	\$239,488
<b>Policy Relief and Pension Plan</b>			
Total OPEB Liability	\$334,536	\$297,381	\$266,299

# The City of Seattle

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The following table presents the sensitivity of total OPEB liability calculation to a 1 percent increase and a 1 percent decrease in the healthcare cost trend rates used to measure the total OPEB liability:

**Table 11-24**

	Healthcare Cost Trend Rate Sensitivity		
	(In Thousands)		
	1% Decrease	Current Rate	1% Increase
<b>City of Seattle Health Care Blended Premium Subsidy Plan</b>			
Total OPEB Liability	\$54,218	\$61,130	\$69,321
<b>Firemen's Pension Plan</b>			
Total OPEB Liability	\$240,966	\$268,828	\$301,254
<b>Police Relief and Pension Plan</b>			
Total OPEB Liability	\$267,799	\$297,381	\$331,726

## Changes in the Total OPEB Liability

The City reported a total OPEB liability of \$627.3 million in 2018. Based on the actuarial valuation date of January 1, 2018, details regarding the City of Seattle Health Care Blended Premium Subsidy Plan, Firemen's Pension Plan, and Police Relief and Pension Plan as of December 31, 2018 are shown below:

**Table 11-25**

(In Thousands)	Health Care Blended Premium Subsidy Plan	Firemen's Pension	Police Relief and Pension Plan	Total OPEB Liability
Total OPEB Liability at 1/1/2018 (Restated)	\$65,648	\$287,302	\$318,682	\$671,632
Service costs	3,822	—	—	3,822
Interest	2,583	9,855	10,903	23,341
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience	13,492	—	—	13,492
Changes of assumptions	(22,126)	(16,786)	(17,731)	(56,643)
Benefit payments	(2,289)	(11,543)	(14,472)	(28,305)
Other changes	—	—	—	—
Total OPEB Liability at 12/31/2018	<u><u>\$61,130</u></u>	<u><u>\$268,828</u></u>	<u><u>\$297,381</u></u>	<u><u>\$627,339</u></u>

The City implemented GASB Statement No. 75 in 2018 and as a result, the beginning balance of pension liability was restated. See Note 21, Restatement for more information regarding the restated amounts as a result of the implementation.

The changes in current year's assumption, such as discount rate, participation rate, resulted in the decreases in the OPEB liability for all OPEB plans by \$56.6 million. For Health Care Blended Premium Subsidy, mortality and retirement assumptions for General Service was updated to reflect the most recent assumptions developed in the SCERS 2014 - 2017 investigation of experience report. For OPEB plans under Firemen's Pension and Police Relief and Pension Plan, the biggest reason for the decrease in liability was a change in long-term care assumptions. The change in economic assumptions also decreased liabilities.

Service costs estimated for Health Care Blended Premium Subsidy plan in 2018 were \$3.8 million. OPEB plans under Firemen's Pension and Police Relief and Pension Plan was closed to new entrants.

Total interest on OPEB liability estimated for all plans was \$23.3 million in 2018. The total OPEB liability also reduced by \$28.3 million from benefit payments. As a result of the net effect of these changes, the City's OPEB liability decreased by \$44.3 million in 2018.

## Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized negative OPEB expense of \$36.6 million. The following table presents deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the City at December 31, 2018:

**Table 11-26**

*(In Thousands)*

City of Seattle Health Care Blended Premium Subsidy Plan	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$12,008	\$—
Changes of assumptions	—	19,692
Payments subsequent to the measurement date	2,334	—
<b>Total</b>	<b>\$14,342</b>	<b>\$19,692</b>
Firemen's Pension Plan	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	—	—
Changes of assumptions	—	—
Payments subsequent to the measurement date	—	—
<b>Total</b>	<b>—</b>	<b>—</b>
Police Relief and Pension Plan	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	—	—
Changes of assumptions	—	—
Payments subsequent to the measurement date	—	—
<b>Total</b>	<b>—</b>	<b>—</b>
All Plans	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Difference between expected and actual experience</b>	<b>\$12,008</b>	<b>\$—</b>
<b>Changes of assumptions</b>	<b>—</b>	<b>19,692</b>
<b>Payments subsequent to the measurement date</b>	<b>2,334</b>	<b>—</b>
<b>Total</b>	<b>\$14,342</b>	<b>\$19,692</b>

Deferred outflows of resources of \$2.3 million resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019. Other amount reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Table 11-27**

<i>(In Thousands)</i>	City of Seattle Health Care Blended Premium Subsidy Plan	Firemen's Pension Plan	Police Relief and Pension Plan
<b>Year End December 31:</b>			
2019	\$(950)	\$—	\$—
2020	(950)	—	—
2021	(950)	—	—
2022	(950)	—	—
2023	(950)	—	—
Thereafter	(2,935)	—	—

## (12) COMPONENT UNITS

### DISCRETELY PRESENTED COMPONENT UNITS

#### Seattle Public Library Foundation

The Seattle Public Library Foundation (the Foundation) is a Washington non-profit corporation, a public charity organized exclusively for educational, charitable, and scientific purposes to benefit and support the Seattle Public Library. The Foundation provides goods, services, and facilities above the tax-based funding of the Seattle Public Library. The Foundation is located in Seattle, governed by a Board of Directors, and possesses all the requisite corporate powers to carry out the purposes for which it was formed.

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, and is presented discretely in the City's financial statements because (1) the economic resources received or held by the Foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

The Foundation reports on a fiscal year-end consistent with the City, the primary government. The Foundation issues its own audited financial statements. To obtain complete audited statements for all years, please contact: The Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, or by telephone at 206-386-4130.

#### Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Twelve subsidiaries have been established since the program's inception. Detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104, or by telephone at 206-684-8090.

SIF is a limited liability corporation in accordance with RCW 35.21.735. It has no employees. Administrative work at SIF is performed by the staff of the City's Office of Economic Development. The members of its Investment Committee and Advisory Board are selected by the Mayor and confirmed by the City Council. The City is not financially accountable for SIF, but under this structure the City may impose its will upon the organization. In accordance with GASB Statement No. 39, SIF is presented as a nonmajor discrete component unit of the City.

Table 12-1

 CONDENSED STATEMENT OF NET POSITION  
 SEATTLE PUBLIC LIBRARY FOUNDATION AND  
 SEATTLE INVESTMENT FUND LLC

December 31, 2018

*(in Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2018	2017	2018	Restated 2017	2018	Restated 2017
<b>ASSETS</b>						
Cash and Other Assets	\$ 2,726	\$ 4,440	\$ 1,486	\$ 1,358	\$ 4,212	\$ 5,798
Investments	64,622	69,083	6	8	64,628	69,091
Capital Assets, Net	18	1	—	—	18	1
Total Assets	67,366	73,524	1,492	1,366	68,858	74,890
<b>LIABILITIES</b>						
Current Liabilities	1,357	1,322	127	3	1,484	1,325
Total Liabilities	1,357	1,322	127	3	1,484	1,325
<b>NET POSITION</b>						
Net Investment in Capital Assets	18	1	—	—	18	1
Restricted	47,579	52,529	—	—	47,579	52,529
Unrestricted	18,413	19,672	1,365	1,363	19,778	21,035
Total Net Position	<u>\$ 66,010</u>	<u>\$ 72,202</u>	<u>\$ 1,365</u>	<u>\$ 1,363</u>	<u>\$ 67,375</u>	<u>\$ 73,565</u>

# The City of Seattle

**Table 12-2**

**CONDENSED STATEMENT OF ACTIVITIES  
SEATTLE PUBLIC LIBRARY FOUNDATION AND  
SEATTLE INVESTMENT FUND LLC**

For the Year Ended December 31, 2018

*(In Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2018	2017	2018	Restated 2017	2018	Restated 2017
<b>PROGRAM REVENUES</b>						
Contributions/Endowment Gain	\$ 4,037	\$ 3,167	\$ —	\$ —	\$ 4,037	\$ 3,167
Placement/Management Fee Income	—	—	293	344	293	344
Total Program Revenues	4,037	3,167	293	344	4,330	3,511
<b>GENERAL REVENUES</b>						
Investment Income	(3,613)	9,494	—	—	(3,613)	9,494
Total Program Support and Revenues	424	12,661	293	344	717	13,005
<b>EXPENSES</b>						
Support to Seattle Public Library	5,370	4,888	—	—	5,370	4,888
Management and General	725	666	291	263	1,016	929
Fundraising	521	419	—	—	521	419
Total Expenses	6,616	5,973	291	263	6,907	6,236
Change in Net Position	(6,192)	6,688	2	81	(6,190)	6,769
<b>NET POSITION</b>						
Net Position - Beginning of Year	72,202	65,514	1,363	1,282	73,565	66,796
Net Position - End of Year	<u>\$ 66,010</u>	<u>\$ 72,202</u>	<u>\$ 1,365</u>	<u>\$ 1,363</u>	<u>\$ 67,375</u>	<u>\$ 73,565</u>

## BLENDED COMPONENT UNIT

### Seattle Park District

The Seattle Park District (the District) is a metropolitan park district authorized by Chapter 35.61 of the Revised Code of Washington. The District has the same boundaries as the City. On August 5, 2014, voters in the City approved Proposition 1 to use property taxes collected to provide funding for City parks and recreation including maintaining park lands and facilities, operating community centers and recreation programs, and developing new neighborhood parks on previously acquired sites. The District is governed by the City Council acting ex officio as the District Board. The Seattle Department of Parks and Recreation provides services on behalf of the District under an inter-local agreement between the City and the District.

The District is reported as a special revenue fund in the City's financial statement. Financial reporting for this fund can be found in the nonmajor governmental funds combining statements located in this report. In addition, separate financial statements are available from Seattle Park District, PO Box 34025, Seattle, WA 98124-4025, or by emailing SeattleParkDistrict@Seattle.gov.

## **(13) JOINT VENTURES**

### **SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL**

The Seattle-King County Workforce Development Council (WDC) is a joint venture between the City and King County. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor agency to receive the employment and training funds for the County area. The King County Executive and the Mayor of the City, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, the City and King County who each will be responsible for one half of the disallowed amount. As of December 31, 2018, there are no outstanding program eligibility issues that may lead to a liability for the City.

WDC contracts with the City which provides programs related to the Workforce Innovation and Opportunity Act. WDC paid approximately \$0.01 million to the City during WDC's fiscal year ended June 30, 2018.

WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA; by accessing its website <http://www.seakingwdc.org/annualreport>; or by telephone at 206-448-0474.

## **(14) COMMITMENTS**

### **Financial Guarantees**

The City has extended nonexchange financial guarantees in the form of contingent loan agreements with other owner/developers of affordable housing. The City will provide credit support, such as assumption of monthly payments for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The City's program, managed by the Office of Housing, currently has loan agreements outstanding of \$630.3 million. These agreements have maturity ranges up to 50 years. All projects are currently self-supporting, and the City has not made any payments pursuant to these agreements. It is unlikely that the City will make any payments in relation to these guarantees based on available information at the end of December 31, 2018 and standards prescribed under GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

### **Capital Improvement Program**

The City adopted the 2018 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$6.8 billion for the years 2018-2023. The adopted CIP for 2018 was \$1.12 billion, consisting of \$683 million for City-owned utilities and \$439 million for non-utility departments. The utility allocations are: \$389 million for City Light, \$109 million for Water, \$163 million for Drainage and Wastewater, \$5.8 million for Solid Waste, and \$16 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

### **SEATTLE CITY LIGHT (SCL)**

Expenses associated with energy received under long-term purchased power agreements at December 31, 2018 are shown in the following table:

**Table 14-1**

**LONG-TERM PURCHASED POWER**

*(In Millions)*

	<b>2018</b>
Bonneville Block	\$ 164.7
Bonneville Slice	—
Lucky Peak, including royalties	7.8
British Columbia - High Ross Agreement	13.5
Grant County Public Utility District	1.5
Columbia Basin Hydropower	6.7
Bonneville South Fork Tolt billing credit	(3.3)
Renewable energy - State Line Wind	23.9
Renewable energy - other	7.5
Exchanges and loss returns energy at fair value	2.9
Long-term purchased power booked out	(7.4)
Total	<b>\$ 217.8</b>

## Purchased and Wholesale Power

### *Bonneville Power Administration*

SCL purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (Bonneville), under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Effective October 1, 2017 there was an amendment to the agreement whereby SCL no longer participates as a Slice customer and will now exclusively purchase Block. Block quantities are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The terms of the Slice product specify that SCL will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62643 percent, and the same as the previous fiscal year. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in 2018 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

### *Lucky Peak*

In 1984, SCL entered into a purchase power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates SCL to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

SCL incurred \$7.8 million in 2018, including operations costs and royalty payments to the irrigation district. SCL provided and billed Lucky Peak \$0.3 million for operational and administrative services in 2018. These amounts are recorded as offsets to purchased power expense.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2018. SCL's payables to Lucky Peak were \$0.8 million at December 31, 2018.

***British Columbia-High Ross Agreement***

In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide SCL with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, SCL incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035.

***Renewable Energy Purchase and/or Exchanges***

The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2018 resource portfolio met the 9 percent target.

***Energy Exchange***

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year's advance written notice to SCL terminating the agreement effective no later than May 31, 2018, and the agreement was officially terminated.

***Fair Value of Exchange Energy***

Exchange energy receivable and the related regulatory gains at December 31, 2018 were valued using Kiodex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

***Estimated Future Payments under Purchased Power, Transmission, and Related Contracts***

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2019 through 2065, undiscounted, are shown in the following table:

**Table 14-2**  
**ESTIMATED FUTURE PAYMENTS UNDER  
PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS**  
*(In Millions)*

<b>Year Ending December 31</b>	<b>Estimated Payments <sup>a</sup></b>	
2019	<sup>a</sup>	\$ 290.4
2020	<sup>b</sup>	303.0
2021		289.9
2022		284.3
2023		284.9
2024-2028	<sup>c/d</sup>	1,273.2
2029-2033		107.3
Thereafter (through 2065)		102.1
Total		<u>\$ 2,935.1</u>

<sup>a</sup> 2019 includes estimated REP recoveries from Bonneville.

<sup>b</sup> British Columbia - High Ross direct cost payment ends in 2020.

<sup>c</sup> BPA transmission contract expires July 31, 2025.

<sup>d</sup> BPA Block and Slice contract expires September 30, 2028.

## **Federal Energy Regulatory Commission (FERC) Fees**

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$174.8 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

### **New Boundary License**

SCL's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 20, 2013 with a 42-year life for a total cost of \$48.6 million. The terms and conditions of the new license have been evaluated. SCL is in the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the application process, SCL negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. The settlement sought to preserve SCL's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$408.8 million adjusted to 2018 dollars, of which \$74.5 million were expended through 2018. Projected mitigation cost estimates are subject to revision as more information becomes available.

### **Skagit and South Fork Tolt Licensing Mitigation and Compliance**

In 1995, FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both licenses, SCL has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2018, to be \$140.8 million, of which \$129.2 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.9 million, of which \$1.4 million were expended through 2018. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2018 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act in order to obtain a FERC license. ESA and related issues are discussed below.

### **Endangered Species**

Several fish species that inhabit waters where hydroelectric projects are owned by SCL, or where SCL purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of SCL's hydroelectric projects, the ESA listings still affect operations of SCL's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, SCL's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is

authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for SCL's share of the Early Action program from inception in 1999 through December 31, 2018 are estimated to be \$13.8 million. \$1.1 million has been allocated for the program in the 2019 budget.

### ***Project Impact Payments***

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$1.8 million to Pend Oreille County in 2018, and \$1.1 million to Whatcom County in 2018.

## **SEATTLE PUBLIC UTILITIES (SPU)**

### **Water Fund**

#### ***Habitat Conservation Program Liability***

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed while allowing SPU to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$112.9 million (in 2018 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2018 is \$92.8 million. The remaining \$20.1 million to complete the HCP is comprised of an \$6.7 million liability and an estimate of \$13.92 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

#### ***Distribution System Reservoirs***

SPU is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying six reservoirs is expected to be approximately \$208.0 million through the year 2022; costs beyond 2022 are not estimable as of the date of this report. As of December 31, 2018, total cumulative costs incurred were \$168.0 million.

#### ***Wholesale Water Supply Contracts***

SPU has wholesale contracts with Cascade Water Alliance (CWA) and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate SPU to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers including CWA have block contracts which obligate SPU to provide water up to a combined maximum of 41.85 Millions of Gallons per Day (MGD) per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA's contract expires in 2063 while other wholesale contracts run through 2063. Additional wholesale contracts expire in 2062.

SPU also has a contract with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

## Drainage and Wastewater Fund

### *Wastewater Disposal Agreement*

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by SPU were \$167 million for fiscal year 2018.

## Solid Waste Fund

### *Contractual Obligations*

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, food waste, and recycling. Effective April 1, 2019 SPU entered into new contracts with Waste Management and Recology of King County for residential and commercial collection. The contracts are scheduled to end on March 31, 2029, with SPU options to extend to March 2031 and March 2033. Total payment under these contracts for residential and commercial collection in 2018 was \$81.3 million.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. (formerly known as Washington Wast Systems) for the disposal of non-recyclable City waste. This contract is scheduled to end on March 31, 2028, however the SPU may terminate this contract at its option without cause on March 31, 2024. Total payment under the terms of this contract for waste disposal was \$15.0 million in 2018.

Effective April 1, 2014, the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020, with options to extend in two year increments up to March 31, 2024, at the SPU's discretion. SPU terminated the services with PacifiClean effective August 31, 2017 due to failed operations, prior to the end of the original contract term. SPU awarded a new contract to Cedar Grove Composting, effective September 1, 2017, to provide additional services. The Cedar Grove Contract will end March 31, 2020, with City options to extend the contract up to March 31, 2024. Total payment under the terms of these contracts was \$4.6 million in 2018.

Effective April 1, 2016, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. SPU may, at its option, extend the contract in three year increments up to March 31, 2027. Total payments, net of recycling revenue, were \$3.6 million in 2018.

### *Landfill Closure and Post-closure Care*

As of December 31, 2018, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include the share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, SPU uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and reflected as future costs in the accompanying financial statements, in accordance with generally accepted accounting principles.

These costs are being amortized as they are recovered from rate payers and will be fully amortized in 2024. Actual costs for closure and post closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2024.

In prior years, SPU delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. SPU stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

## (15) CONTINGENCIES

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, failure to supply utilities, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has been self-insured for most of its general liability risks prior to January 1, 1999, for workers' compensation since 1972, and for employees' health care benefits starting in 2000.

In addition, the City purchases excess general liability insurance coverage on a year to year basis, effective January 1, 1999. The City's self-insured retention for each claim involving general liability was limited to \$6.5 million per occurrence of such claims in 2018 and 2017. From June 1, 2014 through May 2016, the City's self-insured retention was \$60 million, and was increased to \$85 million for the policy year beginning on June 1, 2016. Effective June 1, 2017, the City's self-insured retention increased to \$100 million and effective June 1, 2018, the City's self-insured retention increased to \$135 million.

The City also purchased an all-risk comprehensive property insurance policy that provides \$500.0 million in limits, subject to various deductible levels depending upon the type of asset and value of the building. This includes \$100.0 million in earthquake and flood limits. Hydroelectric and other utility producing, and processing projects owned by the City are not covered by the property policy. The City also purchased insurance for excess workers' compensation, fiduciary and crime liability, inland marine transportation, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and other miscellaneous policies. Bonds are purchased for public officials, notaries public, pension exposures, and specific projects and activities as necessary.

In 2018, the City did not purchase any annuity contracts to resolve litigation. The City received one payment of \$26 million in a case involving contract and tort theories of recovery for damage to Seattle Public Utilities infrastructure. The City settled two matters, one lawsuit and one claim, for an amount in excess of the City's self-insured retention of \$6.5 Million.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2018 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2017. The total undiscounted IBNR amount was \$30.2 million in 2018, decreased by \$0.7 million from prior year.

Estimated claims expenditures are budgeted by the individual governmental and proprietary funds. Actual workers' compensation claims are processed by the General Fund and reimbursed by the funds that incurred them. Operating funds pay health care premiums to the General Fund, and the latter pays for all actual health care costs. The General Fund initially pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, and the retirement funds.

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.06 million in 2018. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Workers' compensation and general liabilities recorded in the financial statements are discounted at 1.700 percent for 2018 and 1.450 percent for 2017, the City's 2017 and 2016 estimated annual effective interest rates of return on investments used by the actuaries. The liabilities for health care claims discounted at 1.978 percent for 2018 and 1.565 percent for 2017, the City's 2018 and 2017 average annual rates of return on investments. The total discounted liability at December 31, 2018, was \$119.7 million consisting of \$75 million for general liability, \$5 million for health care, and \$39.7 million for workers' compensation.

# The City of Seattle

**Table 15-1**

**RECONCILIATION OF CHANGES IN  
AGGREGATE LIABILITIES FOR CLAIMS**  
*(In Thousands)*

	General Liability	Health Care	Workers' Compensation	Total City
	2018	2018	2018	2018
<b>UNDISCOUNTED</b>				
Balance - Beginning of Fiscal Year	\$ 67,843	\$ 3,301	\$ 42,273	\$ 113,417
Less Payments and Expenses During the Year	(26,240)	(184,920)	(11,903)	(223,063)
Plus Claims and Changes in Estimates	39,833	186,688	11,310	237,831
Balance - End of Fiscal Year	<b>\$ 81,436</b>	<b>\$ 5,069</b>	<b>\$ 41,680</b>	<b>\$ 128,185</b>
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>				
Governmental Activities	\$ 65,961	\$ 5,069	\$ 31,537	\$ 102,567
Business-Type Activities	15,420	—	10,138	25,558
Fiduciary Activities	55	—	5	60
Balance - End of Fiscal Year	<b>\$ 81,436</b>	<b>\$ 5,069</b>	<b>\$ 41,680</b>	<b>\$ 128,185</b>
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>				
Governmental Activities	\$ 60,788	\$ 4,971	\$ 30,056	\$ 95,815
Business-Type Activities	14,210	—	9,662	23,872
Fiduciary Activities	51	—	5	56
Balance - End of Fiscal Year	<b>\$ 75,049</b>	<b>\$ 4,971</b>	<b>\$ 39,723</b>	<b>\$ 119,743</b>

Pending litigations, claims, and other matters are as follows:

- Central Puget Sound Regional Transit Authority Condemnation Actions: In 2016, SCL is a defendant in a series of condemnation actions by the Central Puget Sound Regional Transit Authority (“Sound Transit”). Sound Transit is working in concert with the City of Bellevue on multiple transportation projects which negatively affect SCL’s East Side Lines transmission corridor, which is a 100 plus mile corridor between 150’-160’ wide that runs contiguously from Maple Valley to SCL’s Skagit Project in Skagit and Whatcom Counties. There are currently five condemnation actions for the specific area along 124th Street in Bellevue. SCL has contested Sound Transit’s ability to condemn publicly owned property, but in each of the five condemnation actions, the trial courts determined that Sound Transit had demonstrated public use and necessity over portions of the City’s easement area. All of those decisions were appealed to the Washington Supreme Court. In August 2018, the Washington Supreme Court determine that although Sound Transit had authority to condemn the SCL’s property, the prior public use rule applied, and consequently remanded all five actions back to the trial courts to determine whether the SCL’s existing public use was compatible with Sound Transit’s proposed uses. The Parties have been in discussions towards resolving these issues, but the ultimate value and resolution of these matters is indeterminate.
- Deformation Mitigation for N. Thomas Street (North Portal): SCL is moving five 13.8 kV and 26kV feeders in Thomas Street at 6th Avenue to protect them for deformation caused by the tunneling activities, including the work necessary to extract the tunnel boring machine cutter head after reaching the North Portal. SCL anticipates that the total costs for this work will be \$3.1 million. SCL has requested that the Washington State Department of Transportation (WSDOT) reimburse it for those costs, and has sent a proposed task order for that purpose, but to date, WSDOT has not agreed to reimburse SCL. SCL’s ultimate recovery amount is unknown.
- Denny Substation: SCL is building a new substation in the Denny Triangle neighborhood. The original contract price was \$89.0 million. The general contractor filed claims against SCL totaling approximately \$28.0 million based on changed conditions, unforeseen conditions, delays, and schedule impacts alleged to be the SCL’s fault. SCL is contesting a majority of claimed amounts. SCL’s ultimate liability is indeterminate.

- Denny Network: SCL hired a general contractor to install an underground network in the South Lake Union neighborhood. The general contractor is in the process of preparing a claim for delay damages alleging that SCL is responsible for its cost overruns due to myriad factors. The claimed damages are expected to be approximately \$20.0 million for a \$48.0 million project. SCL's ultimate liability is indeterminate.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote or unknown. Other than the aforementioned cases and the claim liabilities recorded in the financial statements, there were no other outstanding material judgments against the City.

## **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM**

The City participates in the HUD Section 108 loan program. In the Section 108 program HUD obtains funds from private investors at a very low cost (i.e., low interest rate). Low-cost funds are available because HUD guarantees repayment to the private investors. HUD, in turn, provides the low-cost funds to jurisdictions nationwide including the City. The City then relends the funds to private borrowers. HUD deposits the funds directly with the City's loan servicing agent, the Bank of New York. The Bank of New York disburses funds on behalf of the City to the private borrowers.

The Brownfields Economic Development Initiative Grant (BEDI) program is a federal grant that is directly linked to the Section 108 loan program. The City uses BEDI grant funds as a loan loss reserve and interest subsidy on Section 108 loans. The U.S. Treasury deposits the grant funds with the City. The City then disburses the grant funds to the loan servicing agent.

Pursuant to RCW 35.21.735 the City is expressly authorized to participate in the Section 108 loan program. The state statute and the City's contracts/agreements with HUD clarify that the City never pledges its full faith and credit. Future block grant funds are pledged to HUD in the event of borrower default. Each loan is secured by a deed of trust and/or bank-issued letter of credit that provides the City with security in the event of borrower default. Additionally, the BEDI grant funds may be used by the City to protect against loan default.

On December 31, 2018, seven projects remained outstanding with a combined total amount of \$9 million. BEDI grant funds amount to \$0.5 million and are used as a loan loss reserve.

## **GUARANTEES OF THE INDEBTEDNESS OF OTHERS**

The City has guaranteed the following bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds.

In the event that these public development authorities have insufficient funds to make scheduled debt payments of the principal of and interest on these guaranteed bonds, the City is obligated to transfer sufficient funds to make the payment. Public development authorities for whom the City has made all or part of a debt service payment shall reimburse the City for all money drawn on their behalf.

### ***Museum Development Authority***

Special obligation refunding bonds-Series 2014 was issued on April 29 2014, in the amount of \$44.4 million. The outstanding amount as of December 31, 2018 is \$37.0 million. The bonds will be fully retired by April 1, 2031.

### ***Seattle Chinatown-International District Preservation and Development Authority***

Refunding bonds were issued on September 26, 2007, in the amount of \$7.4 million. The outstanding amount as of December 31, 2018, was \$4.08 million. The bonds will be fully retired by August 1, 2026.

### ***Seattle Indian Services Commission***

Special obligation revenue refunding bonds were issued on November 1, 2004, in the amount of \$5.2 million. The outstanding amount as of December 31, 2018 is \$2.29 million. The bonds will be fully retired on November 1, 2024.

## **Event Notice Relating to Seattle Indian Services Commission**

In 2014 the Seattle Indian Services Commission (the Commission) experienced unforeseen conditions that left it unable to fulfill its debt obligations on bonds guaranteed by the City. Due to the interruption and suspension of the Commission's pledged revenues for debt service the City is now obligated to temporarily service the Commission's debt.

The City's 2015 Adopted Budget and thereon includes funding to pay debt service on the Commission's guaranteed bonds in accordance with the City's unconditional obligation. Effective for fiscal year 2015 the City will transfer funds on behalf of the Commission to pay the scheduled debt payments of the principal and interest on its special obligation refunding bonds issued on November 1, 2004. The first debt service payment occurred on May 1, 2015 in the amount of \$0.7 million.

As of Dec 31, 2018, the Commission's remaining principal and interest amounts the City guaranteed are \$2.29 million and \$0.2 million respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (1.788 percent), the City has recognized a liability of \$2.5 million in the Government-Wide Financial Statements. Until the Commission's revenue conditions improve the City will continue to make the scheduled debt payments through the life of the bonds, with a final maturity date of November 1, 2024.

## (16) TAX ABATEMENTS

**Table 16-1**  
**Page 1 of 3**

**Tax Abatement by Programs**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Primary Government					Other Governments		
	City of Seattle		King County		State of Washington			
	Multifamily Property Tax Exemption (MFTE) <sup>a</sup>	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology			
<b>1) Purpose of program.</b>	Supports mixed-income residential development in the urban centers, the MFTE program ensures affordability as the community grows.	Provides property tax abatements through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks.	Provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland.	Provides property tax abatements to encourage home improvements to single-family dwellings.	Provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.			
<b>2) Tax being abated.</b>	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Sales and Use Tax		
<b>3) Authority under which abatement agreements are entered into.</b>	SMC Chapter 5.73 and RCW Chapter 84.14, in addition, each owner of a participating MFTE property must enter a legally binding agreement with the City of Seattle, which is then recorded with King County. The agreement details the affordability requirements and other stipulations for compliance with the MFTE program.	Chapter 84.26 RCW, RCW 84.26.020(2) and RCW 84.26.050(2)	RCW 84.33.130 and RCW 84.34.010	RCW 84.36.400	RCW 84.36.400	Chapter 82.63 RCW		

<sup>a</sup> For the MFTE program, any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral on adding the new construction value of MFTE properties to the King County property tax base until after each project's exemption period has terminated.

# The City of Seattle

**Table 16-1**  
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**Tax Abatement by Programs**  
**For the Year Ended December 31, 2018**  
**(In Thousands)**

	Primary Government				Other Governments			
	City of Seattle		King County		State of Washington			
	Multifamily Property Tax Exemption (MFTE) <sup>a</sup>	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology			
<b>4) Criteria to be eligible to receive abatement.</b>	MFTE is to incentivize the creation of affordable housing by providing a property tax exemption on new multifamily buildings in exchange of setting aside 20-25 percent of the homes as income- and rent-restricted.	The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2).	1Through four programs: ①Public Benefit Rating System (PBRS) enrollment and associated tax savings are based on a point system. Points are awarded for each PBRS resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks. ②Timber Land enrollment requires a property to have between 5 and 20 acres of manageable forestland, and be zoned RA, F or A. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan. ③Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes. ④Forestland enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.	Make improvement to single-family dwellings.	Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment.			

<sup>a</sup> For the MFTE program, any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral on adding the new construction value of MFTE properties to the King County property tax base until after each project's exemption period has terminated.

**Table 16-1**  
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**Tax Abatement by Programs**  
**For the Year Ended December 31, 2018**  
**(In Thousands)**

	Primary Government					Other Governments		
	City of Seattle		King County			State of Washington		
	Multifamily Property Tax Exemption (MFTE) <sup>a</sup>	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology			
<b>5) How recipients' taxes are reduced.</b>	The entire appraised value of a participating property's residential improvements is exempt.	An owner of property desiring special valuation shall apply to the assessor of the County in which the property is located. The application form shall include a statement that the applicant is aware of the potential tax liability involved when the property ceases to be eligible for special valuation. Applications shall be made no later than October 1 of the calendar year preceding the first assessment year for which classification is requested.	An owner of land desiring current use classification must submit an application to the County Assessor.	Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.	Eligible projects will receive a sales and use tax deferral certificate issued by Department of Revenues, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years.			
<b>6) How amount of abatement is determined.</b>	The entire appraised value of participating property's residential improvements is tax exempt. Therefore, the case by case value of the exemption is dependent on each individual property's appraised value.	The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. At the conclusion of special valuation, the cost shall be considered new construction.	A participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property.	Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement.	Vendors and contractors waive the sales and use tax for the approved businesses.			
<b>7) Provisions for recapturing abated taxes.</b>	If a property fails to comply with affordability restriction, the Director of Housing has the authority to cancel a tax exemption, and the Assessor has the authority to impose fines, collect back taxes, and charge interest on back taxes.	When property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, additional taxes, applicable penalties and interest are collected.	When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.	N/A	If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.			
<b>8) Types of commitments made by the City other than to reduce taxes.</b>	N/A	N/A	N/A	N/A	N/A			
<b>9) Gross amount of City's revenues being reduced.</b>	\$ —	696	50	156	21,501			
		<b>Total Revenue Reduction</b>				<b>\$ 22,403</b>		

<sup>a</sup> For the MFTE program, any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral on adding the new construction value of MFTE properties to the King County property tax base until after each project's exemption period has terminated.

## (17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS

### GOVERNMENTAL ACTIVITIES

Detailed information regarding restatements of beginning balances (in thousands):

**Table 17-1**

	General Fund	Transportation	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Internal Service Funds	Governmental Activities
Net Position/Fund Balance - January 1, 2018	\$ 495,082	\$ 103,608	\$ 431,662	\$ 71,485	\$ 1,115,335	\$ 441,654	\$ 3,493,637
Funds Conversion	(1,418)	6,388	(3,370)	780	2,380	(2,403)	—
GASB 75 Implementation	—	—	—	—	—	(421)	(496,894)
Reclassification of Bonds Payable	—	—	—	—	—	2,512	—
Prior Period Corrections of Errors							
Accounts Receivable	7,984	453	—	—	8,437	—	8,437
Capital assets - CWIP	—	—	—	—	—	(1,705)	(106,480)
Capital assets	—	—	—	—	—	—	10,140
Other	9	—	—	(13)	(4)	—	(4)
Net Position/Fund Balance - January 1, 2018 (Restated)	\$ 501,657	\$ 110,449	\$ 428,292	\$ 72,252	\$ 1,126,148	\$ 439,637	\$ 2,908,833

In 2018, the City reclassified its funds as part of financial information system upgrade. Certain funds were merged into other existing funds, certain funds were split to various separate funds, certain funds were closed, and new funds were established. As a result, the beginning balance of fund balances and net position were reestablished. The table above presents the net effects of the fund conversion on the beginning balance of fund balances and net position of funds that are reported in the accompanying financial statements. The net difference of total governmental funds and internal service fund was \$(23) thousands. The net difference was related to capital assets as capital assets are reported on internal service fund financial statements but not governmental funds.

In 2018, the City implemented GASB No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No.75 requires a liability for pension obligations, known as the total OPEB to be recognized on the statement of net position of participating employers. Therefore, the liability was recognized and reported retroactively for the City's OPEB plans. This implementation resulted in a restatement to the 2018 beginning net position. The net effect to the 2018 beginning balance of net position was a reduction of \$496.9 million and \$0.4 million in governmental activities and internal service funds, respectively.

In 2018, the City reclassified \$2.5 million bond payable liability from Internal Service Funds to the General Fund. The related bond was issued for information technology services in 2017, and the payable was recorded in Internal Service Funds in 2017. The City determined that it is more appropriate to transfer the bond payable to the General Fund, since it is a general obligation of the City. As a result, the Internal Service Funds beginning balance of net position increased by \$2.5 million. There was no restatement within government activities.

The City has made a prior period adjustment to recognize outstanding accounts receivable, as of 12/31/2017, due to the Seattle Municipal Court (SMC). This resulted from recommendation by the State Auditor at end of its audit of the City's 2017 financial report. In collaboration with the State Auditor, the City's Finance staff, and consultant to the City, valid outstanding and collectible receivables were determined, using the Municipal Court Information System. The State Auditor validated this amount and recommended that the City record the amount to properly comply with its accounting policy, and generally accepted accounting principles.

Approximately, a correction of \$0.5 million was made by the Transportation fund in 2017 but was not reflected in 2017 financial statements. Thus, the amount was presented on the table above as a prior year error correction to rollforward the beginning balance of fund balance.

In 2018, the City identified adjustments for the prior year's ending balances in Work in Progress (WIP). The City has standardized WIP processes after the upgrade of the Peoplesoft system. As a result, certain departments identified the errors related to WIP to be corrected. The 2018 beginning net position was adjusted by \$106.5 million in governmental activities and \$1.7 million in internal service funds.

In 2018, the City identified adjustments for the prior year's ending balances of capital assets, which increased the beginning net position by \$10.1 million in governmental activities.

There were other errors identified through financial statements to roll forward the fund balance; \$9 thousand for The General Fund; \$(13) thousand for Capital Project Funds

## BUSINESS-TYPE ACTIVITIES

As a result of implementation of GASB No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City restated the 2018 beginning net position. The net effect to the 2018 beginning net position was a reduction of \$1.4 million in proprietary funds/business-type activities.

**Table 17-2**

	<i>(In Thousands)</i>	
	Proprietary Funds	Business-type Activities
Net Position/Fund Balance - January 1, 2018	\$ 2,198,259	\$ 2,244,617
GASB 75 Implementation	(1,345)	(1,345)
Net Position/Fund Balance - January 1, 2018 (Restated)	\$ 2,196,914	\$ 2,243,272

## FIDUCIARY FUNDS

As a result of the financial system upgrade in 2018, the City changed how it reported certain funds. Voucher and Salary funds are no longer reported as Agency funds, and Multifamily Rental Housing Improvement and Pass-Through Grant funds have been closed.

**Table 17-3**

	<i>(In Thousands)</i>
	Agency Fund
Total Assets/Total Liabilities - January 1, 2018	\$ 7,624
Funds Conversion	(329)
Total Assets/Total Liabilities	\$ 7,295

## **(18) SUBSEQUENT EVENTS**

On August 8, 2019, pursuant to City Council Ordinance 125715, the City issued

- (1) \$35.87 million of Limited Tax General Obligation (LTGO) Improvement Bonds A with an average coupon rate of 4.44 percent and a final maturity of May 1, 2049;
- (2) \$11.10 million of LTGO Improvement Taxable Bonds B with an average coupon rate of 2.69 percent and a final maturity of May 1, 2039.

## **SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The schedules of revenues, expenditures, and changes in fund balances – budget and actual are presented on a budgetary basis (Non-GAAP). A reconciliation of the budgetary fund balance to the GAAP fund balance is shown on the face of each schedule.

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011; the Library Fund no longer meets the definition for a special revenue fund and is now reported as part of the General Fund for the GAAP reporting.

# Required Supplementary Information

C-1

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 307,371	\$ 307,371	\$ 311,323	\$ 3,952
Retail Sales and Use Taxes	261,114	261,114	277,686	16,572
Business Taxes	321,586	321,586	319,893	(1,693)
Excise Taxes	82,613	82,613	84,222	1,609
Other Taxes	11,447	11,447	35,116	23,669
Interfund Business Taxes	165,352	165,352	165,453	101
Total Taxes	1,149,483	1,149,483	1,193,693	44,210
Licenses and Permits	48,823	48,823	45,558	(3,265)
Grants, Shared Revenues, and Contributions	19,686	19,686	45,207	25,521
Charges for Services	47,544	47,544	63,596	16,052
Fines and Forfeits	29,770	29,770	31,460	1,690
Parking Fees and Space Rent	41,698	41,698	39,980	(1,718)
Program Income, Interest, and Miscellaneous Revenues	303,053	303,053	346,328	43,275
Total Revenues	1,640,057	1,640,057	1,765,822	125,765
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	601,858	655,754	534,055	121,699
Judicial	32,976	32,976	32,892	84
Public Safety	639,312	722,368	687,585	34,783
Physical Environment	17,320	18,452	12,979	5,473
Transportation	71,364	72,805	60,003	12,802
Economic Environment	121,844	143,104	106,828	36,276
Health and Human Services	61,851	65,680	60,057	5,623
Culture and Recreation	221,508	226,277	209,948	16,329
Capital Outlay				
General Government	56,271	57,621	15,096	42,525
Public Safety	30	30	902	(872)
Physical Environment	26	26	794	(768)
Transportation	41,977	41,977	19,704	22,273
Economic Environment	865	865	803	62
Culture and Recreation	112,056	113,893	43,933	69,960
Debt Service				
Principal	—	—	1	(1)
Interest	—	—	4	(4)
Total Expenditures and Encumbrances	1,979,258	2,151,828	1,785,584	366,244
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(339,201)	(511,771)	(19,762)	492,009
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	495	495	2,065	1,570
Transfers In	80,280	80,280	14,305	(65,975)
Transfers Out	(1,922)	(1,922)	(27,951)	(26,029)
Total Other Financing Sources (Uses)	78,853	78,853	(11,581)	(90,434)
Net Change in Fund Balance	<u><u>\$ (260,348)</u></u>	<u><u>\$ (432,918)</u></u>	<u><u>(31,343)</u></u>	<u><u>\$ 401,575</u></u>
Budgetary Fund Balance - Beginning of Year			301,976	
Net Change in Encumbrances			(5,583)	
Net Change in Unappropriable Reserves			(10,357)	
Budgetary Fund Balance - End of Year			254,693	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			215,620	
Encumbrances			12,954	
Reimbursements				
Budgeted as Revenues			224,182	
Budgeted as Expenditures			(224,182)	
GASB Statement No. 54 Reporting Adjustment				
Fund Balance (GAAP) - End of Year		<u><u>\$ 483,266</u></u>		

**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2018**  
*(In Thousands)*

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 97,722	\$ 97,722	\$ 98,423	\$ 701
Retail Sales and Use Taxes	—	—	347	347
Business Taxes	44,991	45,150	42,978	(2,172)
Excise Taxes	—	—	—	—
Other Taxes	—	—	15	15
Interfund Business Taxes	—	—	—	—
Total Taxes	142,713	142,872	141,763	(1,109)
Licenses and Permits	11,498	8,629	8,107	(522)
Grants, Shared Revenues, and Contributions	47,703	47,703	27,828	(19,875)
Charges for Services	68,294	76,568	115,171	38,603
Fines and Forfeits	—	—	329	329
Parking Fees and Space Rent	—	—	64	64
Program Income, Interest, and Miscellaneous Revenues	33,166	33,166	922	(32,244)
Total Revenues	303,374	308,938	294,184	(14,754)
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	143,570	143,570	189,584	(46,014)
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	347,960	347,960	73,795	274,165
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Debt Service				
Principal	—	—	1,355	(1,355)
Interest	—	—	59	(59)
Bond Issuance Cost	—	—	—	—
Other	—	—	—	—
Total Expenditures and Encumbrances	491,530	491,530	264,793	226,737
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(188,156)	(182,592)	29,391	211,983
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Sales of Capital Assets	—	1,211	2,063	852
Transfers In	—	—	—	—
Transfers Out	31,080	31,270	(31,840)	(63,110)
Total Other Financing Sources (Uses)	31,080	32,481	(29,777)	(62,258)
Net Change in Fund Balance	<u>\$ (157,076)</u>	<u>\$ (150,111)</u>	<u>(386)</u>	<u>\$ 149,725</u>
Budgetary Fund Balance - Beginning of Year			(99,840)	
Net Change in Encumbrances			1,369	
Net Change in Unappropriable Reserves			30,122	
Budgetary Fund Balance - End of Year			(68,735)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			180,167	
Encumbrances			—	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			<u>\$ 111,432</u>	

## **PENSION AND OPEB PLAN INFORMATION**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Firemen's and Police Relief and Pension funds are both pension plans that fail to meet the requirements of GASB Statement No. 68. Therefore, Firemen's and Police Relief and Pension funds are accounted for in accordance with GASB Statement No. 73. The required supplementary information (C3) reports the long-term actuarial data on the Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past 10 consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11.

Under GASB Statement No. 68, the City's cost-sharing multiple-employer plans are the Seattle City Employees' Retirement System (SCERS), the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF1) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF2). As required by GASB Statement No. 68 the required supplementary information (C4, C5) reports a 10 year Schedule of Proportionate Share of the Net Pension Liability as of the plan's measurement date of the collective net pension liability, and a 10 year Schedule of Employer Contribution as of the City's most recent fiscal year-end, for each pension plan separately.

In 2018, the City implemented GASB Statement No. 75, which requires a schedule of changes in total OPEB liability and related ratios for each of the 10 most recent fiscal years as required supplementary information. The schedule separately presents the required information for each OPEB plan (C6).

**PENSION PLAN INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS**  
**December 31, 2018**  
*(In Thousands)*

***Police Relief and Pension Fund***

Year Ended	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Service Cost	\$—	\$—	N/A							
Interest on total pension liability	3,024	3,401	N/A							
Effect of plan changes	—	—	N/A							
Effect of economic/demographic gains or (losses)	2,569	—	N/A							
Effect of assumption changes or inputs	(4,809)	1,689	N/A							
Benefit payments	(13,227)	(5,593)	N/A							
Net change in pension liability	(12,443)	(503)	N/A							
Total pension liability, beginning	92,956	93,459	N/A							
Total pension liability, ending	<u>\$80,513</u>	<u>\$92,956</u>	<u>N/A</u>							
Covered payroll	—	—	N/A							
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

***Firefighters' Pension Fund***

Year Ended	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Service Cost	\$—	\$—	N/A							
Interest on total pension liability	3,325	3,623	N/A							
Effect of plan changes	—	—	N/A							
Effect of economic/demographic gains or (losses)	—	—	N/A							
Effect of assumption changes or inputs	(2,082)	2,118	N/A							
Benefit payments	(6,739)	(7,485)	N/A							
Net change in pension liability	(12,693)	(1,744)	N/A							
Total pension liability, beginning	98,573	100,317	N/A							
Total pension liability, ending	<u>\$85,880</u>	<u>\$98,573</u>	<u>N/A</u>							
Covered payroll	—	—	N/A							
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Seattle City Employees' Retirement System**

**December 31, 2017**

**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	99.95%	99.93%	99.91%	99.89%	N/A
Employer's proportionate share of the net pension liability	\$1,106,617	\$1,304,140	\$1,297,983	\$1,106,800	N/A
Covered payroll	\$728,094	\$708,562	\$638,354	\$626,403	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	151.99%	184.05%	203.33%	176.69%	N/A
Plan fiduciary net position as a percentage of the total pension liability	72.04%	65.6%	64.03%	67.7%	N/A
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	N/A	N/A	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

a This schedule will be built prospectively until it contains ten years of data.  
Covered payroll is the payroll on which contributions to a pension plan are based.

**PENSION PLAN INFORMATION****SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1****June 30, 2018****Last Ten Fiscal Years <sup>a</sup>  
(In Thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	3.57%	3.55%	3.55%	3.55%	3.55%
Employer's proportionate share of the net pension liability	\$64,885	\$53,981	\$36,619	\$42,771	\$43,065
Covered payroll	\$1,391	\$2,023	\$2,542	\$3,930	\$4,905
Employer's proportionate share of the net pension liability as a percentage of covered payroll	4,664.63%	2,668.36%	1,440.33%	1,088.29%	878.02%
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	126.91%
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	N/A	N/A	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

a This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**

**June 30, 2018**

**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	9.08%	9.17%	9.36%	9.31%	9.4%
Employer's proportionate share of the net pension asset	\$184,326	\$127,282	\$54,486	\$95,637	\$125,076
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	119,348	82,565	35,523	64,124	82,876
Total	\$303,674	\$209,847	\$90,012	\$159,761	\$207,952
Covered payroll	\$294,033	\$283,991	\$273,333	\$268,461	\$255,273
Employer's proportionate share of the net pension liability as a percentage of covered payroll	62.69%	44.82%	19.94%	35.62%	49%
Plan fiduciary net position as a percentage of the total pension asset	118.5%	113.36%	106.04%	111.67%	116.75%
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

a This schedule will be built prospectively until it contains ten years of data.  
Covered payroll is the payroll on which contributions to a pension plan are based.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Seattle City Employees' Retirement System**  
**December 31, 2018**  
**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	2018	2017	2016	2015	2014
Contractually required employer contributions	\$111,742	\$107,900	\$100,614	\$89,363	N/A
Contributions in relation to the statutorily or contractually required contributions	111,742	108,500	100,614	89,363	N/A
Contribution deficiency (excess)	<u>\$—</u>	<u>\$(600)</u>	<u>\$—</u>	<u>\$—</u>	<u>N/A</u>
Covered payroll	\$774,235	\$708,562	\$638,354	\$626,403	N/A
Contributions as a percentage of covered payroll	14.43%	15.31%	15.76%	14.27%	N/A
	2013	2012	2011	2010	2009
Contractually required employer contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**December 31, 2018**  
**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily or contractually required contributions b	\$—	\$—	\$—	\$—	\$—
Contributions in relation to the statutorily or contractually required contributions b	—	—	—	—	—
Contribution deficiency (excess)	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>
Covered payroll	\$1,165	\$2,023	\$2,542	\$3,930	\$4,905
Contributions as a percentage of covered payroll	—	—	—	—	—
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Statutorily or contractually required contributions b	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions b <sup>b</sup>	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup>This schedule will be built prospectively until it contains ten years of data.

<sup>b</sup>LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

Covered payroll is the payroll on which contributions to a pension plan are based.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**December 31, 2018**  
**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$16,243	\$15,300	\$14,332	\$13,638	\$13,249
Contributions in relation to the statutorily or contractually required contributions	16,243	15,300	14,332	13,638	13,249
Contribution deficiency (excess)	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>
Covered payroll	\$299,193	\$283,991	\$273,333	\$268,461	\$255,273
Contributions as a percentage of covered payroll	5.43%	5.23%	5.24%	5.08%	5.19%
	2013	2012	2011	2010	2009
Statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.  
Covered payroll is the payroll on which contributions to a pension plan are based.

# Required Supplementary Information

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## OPEB INFORMATION

### SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

#### City of Seattle Health Care Blended Premium Subsidy Plan

**December 31, 2018**

**Last Ten Fiscal Years \***

*(In Thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total OPEB liability - beginning	\$65,648	N/A	N/A	N/A	N/A
Service cost	3,822	N/A	N/A	N/A	N/A
Interest	2,583	N/A	N/A	N/A	N/A
Changes in benefit terms	—	N/A	N/A	N/A	N/A
Differences between expected and actual experience	13,492	N/A	N/A	N/A	N/A
Changes of assumptions	(22,126)	N/A	N/A	N/A	N/A
Benefit payments	(2,289)	N/A	N/A	N/A	N/A
Other changes	—	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<b>\$61,130</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	\$1,015,097	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	6.02%	N/A	N/A	N/A	N/A
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total OPEB liability - beginning	N/A	N/A	N/A	N/A	N/A
Service cost	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Other changes	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

\* Until a full 10-year trend is compiled, only information for those years available is presented.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**OPEB INFORMATION**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

**City of Seattle Retiree Medical and Long-Term Care Benefits for LEOFF 1 Fire Employees**

**LEOFF 1 Fire Employees**

**December 31, 2018**

**Last Ten Fiscal Years \***

*(In Thousands)*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total OPEB liability - beginning	\$287,302	N/A	N/A	N/A	N/A
Service cost	—	N/A	N/A	N/A	N/A
Interest	9,855	N/A	N/A	N/A	N/A
Changes in benefit terms	—	N/A	N/A	N/A	N/A
Differences between expected and actual experience	—	N/A	N/A	N/A	N/A
Changes of assumptions	(16,786)	N/A	N/A	N/A	N/A
Benefit payments	(11,543)	N/A	N/A	N/A	N/A
Other changes	—	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<b>\$268,828</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	\$—	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total OPEB liability - beginning	N/A	N/A	N/A	N/A	N/A
Service cost	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Other changes	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

\* Until a full 10-year trend is compiled, only information for those years available is presented.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

# Required Supplementary Information

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**OPEB INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**City of Seattle Retiree Medical and Long-Term Care Benefits for**  
**LEOFF 1 and Escalator Employees**

**December 31, 2018**

**Last Ten Fiscal Years \***

*(In Thousands)*

	2018	2017	2016	2015	2014
Total OPEB liability - beginning	\$318,682	N/A	N/A	N/A	N/A
Service cost	—	N/A	N/A	N/A	N/A
Interest	10,903	N/A	N/A	N/A	N/A
Changes in benefit terms	—	N/A	N/A	N/A	N/A
Differences between expected and actual experience	—	N/A	N/A	N/A	N/A
Changes of assumptions	(17,731)	N/A	N/A	N/A	N/A
Benefit payments	(14,472)	N/A	N/A	N/A	N/A
Other changes	—	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$297,382</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	\$—	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
	2013	2012	2011	2010	2009
Total OPEB liability - beginning	N/A	N/A	N/A	N/A	N/A
Service cost	N/A	N/A	N/A	N/A	N/A
Interest	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Other changes	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

\* Until a full 10-year trend is compiled, only information for those years available is presented.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	Food Insecurity Nutrition Incentive Grants Program	10.331	N211725	503,096	-	503,096	-
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Office of Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	17020077	947,563	-	947,563	791,183
<b>Child Nutrition Cluster</b>							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	159842SSFSP	549,616	-	549,616	433,285
	<b>Total Child Nutrition Cluster:</b>			<b>549,616</b>			<b>433,285</b>
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1769-93487-01	5,675	-	5,675	-
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1769-93487-01	51,360	-	51,360	-
	<b>Total CFDA 10.576:</b>			<b>57,035</b>			<b>57,035</b>

**CDBG - Entitlement Grants Cluster**

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	110,000	110,000	110,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	102,000	102,000	102,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	95,000	95,000	95,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	91,912	91,912	91,912	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	76,250	76,250	76,250	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	18,772	18,772	18,772	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	17,638	17,638	17,638	

*The accompanying notes are an integral part of this schedule.*

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	16,000	16,000	16,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	13,399	13,399	13,399	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	11,251	11,251	11,251	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	8,000	8,000	8,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	7,000	7,000	7,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,875	4,875	4,875	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	4,000	4,000	4,000	

*The accompanying notes are an integral part of this schedule.*

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	4,000	4,000	4,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	2,044	2,044	2,044	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	1,956	1,956	1,956	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	1,200	1,200	1,200	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	998	998	998	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	246	246	246	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	84,484	84,484	84,484	

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**City of Seattle**  
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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	130,000	130,000	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	22,988	22,988	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	38,810	38,810	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B10MC530005	-	74,074	74,074	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	403,706	403,706	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	581,011	581,011	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	10,263	10,263	-	-

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	388,898	388,898	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	6,092	6,092	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	6,289	6,289	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	8,420	8,420	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	10,222	10,222	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	10,552	10,552	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	24,273	24,273	-	-

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	29,770	29,770	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	30,500	30,500	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	33,472	33,472	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	33,609	33,609	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	33,609	33,609	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	34,985	34,985	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	38,953	38,953	-	-

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	40,727	40,727	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	50,230	50,230	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	51,175	51,175	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	56,160	56,160	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	56,391	56,391	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	56,391	56,391	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	58,700	58,700	-	-

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	61,556	61,556	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	70,297	70,297	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	71,047	71,047	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	103,282	103,282	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B18MC530005	-	4,901,049	4,901,049	4,110,530	-
<b>Total CDBG - Entitlement Grants Cluster:</b>				<b>-</b>	<b>8,226,527</b>	<b>8,226,527</b>	<b>4,725,071</b>	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E18MC530005	-	751,279	751,279	737,465	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M15MC530200	-	14,999	14,999	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M18MC530200	-	250,035	250,035	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M17MC530200	-	1,412,945	1,412,945	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M16MC530200	-	1,888,911	1,888,911	-	-
<b>Total CFDA 14.239:</b>		-		<b>3,566,890</b>		<b>3,566,890</b>	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	WAH16F001	-	1,495,646	1,495,646	1,461,835	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	WAH17F001	-	285,023	285,023	283,633	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Services for Trafficking Victims	16.320	2015-VT-BX-K052	-	184,178	184,178	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Missing Children's Assistance	16.543	2015-MC-FX-K039	-	407,916	407,916	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Missing Children's Assistance	16.543	2018-MC-FX-K054	-	52,892	52,892	-	-
<b>Total CFDA 16.543:</b>				-	<b>460,808</b>	<b>460,808</b>	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2016-CK-BX-0006	-	67,715	67,715	-	9
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2016-CK-BX-0005	-	326,404	326,404	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2016-CK-BX-0005	-	39,003	39,003	-	-
<b>Total CFDA 16.560:</b>				-	<b>433,122</b>	<b>433,122</b>	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Association of Sheriffs & Police Chiefs)	Project Safe Neighborhoods	16.609	PSN-2015-002	53,238	-	-	53,238	-

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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>				<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	<b>516,224</b>		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX- K007	-	516,224	516,224	-	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX- 0138	-	170,080	170,080	169,578	169,578	8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX- 0552	-	80,382	80,382	74,569	74,569	8
			<b>Total CFDA 16.738:</b>	-	<b>766,686</b>	<b>766,686</b>	<b>244,147</b>		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2016-CD-BX- 0075	-	188,823	188,823	-	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Competitive Grant Program	16.751	2015-DG-BX- K011	-	109,301	109,301	-	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Second Chance Act Reentry Initiative	16.812	2015-CZ-BX- 0013	-	353,453	353,453	353,453		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Comprehensive Opioid Abuse Site-Based Program	16.838	2018-AR-BX- K017	-	1,210	1,210	-	-	-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	722,814	722,814	-	-	-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	85,611	85,611	85,611		-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	41,535	41,535	41,535		-

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**Schedule of Expenditures of Federal Awards**  
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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>Expenditures</b>					
		<b>CFDA Number</b>	<b>Other Award Number</b>	<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	<b>Passed through to Subrecipients</b>
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	2,147	2,147	-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	983	983	-
	<b>Total CFDA 16.922:</b>			<b>-</b>	<b>853,089</b>	<b>853,089</b>	<b>-</b>
<b>Highway Planning and Construction Cluster</b>							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1611 (003)	1,000	-	1,000	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (471)	4,007	-	4,007	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPE-EN10 (029)	5,000	-	5,000	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1704(001)	10,880	-	10,880	-

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Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1450(004)	34,420	-	34,420	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	GCB2736	99,286	-	99,286	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (469)	107,476	-	107,476	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(057)	117,753	-	117,753	-	9
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(057)	119,022	-	119,022	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BROS-1140 (066)	152,670	-	152,670	-	-

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Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	GCB2380	172,847	-	172,847	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1140 (065)	275,984	-	275,984	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1551(002)	407,934	-	407,934	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1140 (069)	419,500	-	419,500	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1819 (001)	717,127	-	717,127	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-1758(002)	729,633	-	729,633	-	-

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**For the Year Ended December 31, 2018**

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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2016-013- 00	-	23,686	23,686	-	-
				Total CFDA 20.507:	-	641,729	641,729	-
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	WA-2017-005- 00	-	79,008	79,008	-	-
				Total Federal Transit Cluster:	1,521,319	720,737	2,242,056	-
<b>Transit Services Programs Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA STATE DEPT OF TRANSPORTATION)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB2685	283,210	-	283,210	-	283,210
				Total Transit Services Programs Cluster:	283,210	-	283,210	-
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2018-HVE-2352 -SEATTLE POLICE DEPARTMENT	27,596	-	27,596	-	27,596
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2018-HVE-2567 -SEATTLE POLICE DEPARTMENT	10,117	-	10,117	-	10,117
				Total Highway Safety Cluster:	37,713	-	37,713	-

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>Expenditures</b>					
		<b>CFDA Number</b>	<b>Other Award Number</b>	<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	<b>Passed through to Subrecipients</b>
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AG-1816-2018	51,073	-	51,073	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2019-AG-26355-SPD	8,427	-	8,427	-
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Military Department)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0582-16-01-00	3,000	-	3,000	-
Department of the Treasury, TREASURY, DEPARTMENT OF THE	Equitable Sharing	21.016	N/A	-	157,406	157,406	-
Department of the Treasury, TREASURY, DEPARTMENT OF THE	Equitable Sharing	21.016	N/A	-	1,069	1,069	-
NATIONAL SCIENCE FOUNDATION, NATIONAL SCIENCE FOUNDATION (via University of Washington)	Education and Human Resources	47.076	UWSC8871	153,482	-	153,482	-
<b>Total CFDA 21.016:</b>				<b>158,475</b>		<b>158,475</b>	
<b>Total CFDA 20.608:</b>				<b>59,500</b>		<b>59,500</b>	

**Clean Water State Revolving Fund Cluster**

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>				<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	<b>Passed through to Subrecipients</b>	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66-458	WQC-2019-SeaPUD-00050	12,058,580	-	12,058,580	-	4
				<b>Total Clean Water State Revolving Fund Cluster:</b>	<b>12,058,580</b>	<b>-</b>	<b>12,058,580</b>	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F18-53103-404	75,288	-	75,288	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53104-404	84,783	-	84,783	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53104-404	91,359	-	91,359	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53103-404	123,569	-	123,569	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53103-404	249,046	-	249,046	-	
				<b>Total CFDA 81.042:</b>	<b>624,045</b>	<b>-</b>	<b>624,045</b>	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Conservation Research and Development	81.086	DE-EE0007556	-	447,474	447,474	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Department of Commerce)	Conservation Research and Development	81.086	DE-EE0008261	-	243,484	243,484	-	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>TRIO Cluster</b>				<b>Total CFDA 81.086:</b>	<b>690,958</b>	<b>690,958</b>		
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	TRIO Upward Bound	84.047	P047A170231	-	504,422	504,422	-	-
				<b>Total TRIO Cluster:</b>	<b>-</b>	<b>504,422</b>	<b>504,422</b>	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Washington State Office of Superintendent of Public Instruction)	Twenty-First Century Community Learning Centers	84.287	991145	49,519	-	49,519	-	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Washington State Office of Superintendent of Public Instruction)	Twenty-First Century Community Learning Centers	84.287	991145	61,942	-	61,942	-	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Washington State Office of Superintendent of Public Instruction)	Twenty-First Century Community Learning Centers	84.287	991165	118,668	-	118,668	-	-
				<b>Total CFDA 84.287:</b>	<b>230,130</b>	<b>-</b>	<b>230,130</b>	
<b>Aging Cluster</b>								
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	75,982	-	75,982	75,982	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	906,561	-	906,561	872,186	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	612,739	-	612,739	612,739	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	12,311	-	12,311	12,311	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	2,231,842	-	2,231,842	1,070,823	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	109,102	-	109,102	109,029	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	571,429	-	571,429	488,598	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-22165	2,005,833	-	2,005,833	1,874,136	
	<b>Total Aging Cluster:</b>			<b>6,525,799</b>	-	<b>6,525,799</b>	<b>5,115,804</b>	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Alzheimer's Disease Demonstration Grants to States	93.051	1469-26576	9,952	-	9,952	9,952	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via University of Washington)	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	UWSC8526	46,708	-	46,708	2	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F17-53101-404	578,007	-	578,007	-	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F17-53101-404	785,436	-	785,436	-	-
				<b>Total CFDA 93.568:</b>	<b>1,363,443</b>		<b>1,363,443</b>	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Community Services Block Grant	93.569	F17-32101-005	81,426	-	81,426	-	-
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Community Services Block Grant	93.569	F18-32101-005	84,807	-	84,807	-	-
				<b>Total CFDA 93.569:</b>	<b>166,233</b>		<b>166,233</b>	
<b>Medicaid Cluster</b>	CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	93.778	1669-74059	47,161	-	47,161	43,879	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-94536-NDE	7,179	-	7,179	5,262	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1869-32293-NDE	3,609	-	3,609	3,437	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-94536-ORI	62,280	-	62,280	59,314	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1869-32293-ORI	62,360	-	62,360	59,221	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487-01	431,042	-	431,042	98,256	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1869-31856-ADMNCLMG-MATCH	492,534	-	492,534	140,836	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487-01	5,878,308	-	5,878,308	1,664,316	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487-01	6,280,845	-	6,280,845	1,664,316	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via University of Washington)	Medical Assistance Program	93.778	UWSC8526	45,404	-	45,404		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Medical Assistance Program	93.778	1769-94536-TRW	655,062	-	655,062	655,062	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Medical Assistance Program	93.778	1769-94536-TRW	17,658	-	17,658	-	-
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Medical Assistance Program	93.778	1869-32293-TRW	655,650	-	655,650	618,790	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Medical Assistance Program	93.778	1869-32293-TRW	17,553	-	17,553	-	17,553
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Medical Assistance Program	93.778	100	141,288	-	141,288	-	
<b>Total Medicaid Cluster:</b>				<b>14,797,932</b>	-	<b>14,797,932</b>	<b>5,012,688</b>	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1769-93487-01	40,260	-	40,260	1,664,316	

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1769-93487-01	38,376	-	38,376	1,664,316	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Money Follows the Person Rebalancing Demonstration	93.791	1769-94536-TRW	102	-	102	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA STATE DEPT OF SOCIAL & HEALTH SVCS)	Money Follows the Person Rebalancing Demonstration	93.791	1869-32293-TRW	92	-	92	-	
<b>Total CFDA 93.791:</b>				<b>78,830</b>	-	<b>78,830</b>		<b>3,328,633</b>
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission )	Boating Safety Financial Assistance	97.012	3318-FAS-180153	39,382	-	39,382	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	EMW-2018-CA-00034	6,621	-	6,621	-	5

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**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	EMW-2017-CA-00084	25,412	-	25,412	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-USR-0028	519,382	-	519,382	-	5
				<b>Total CFDA 97.025:</b>	<b>551,415</b>	<b>-</b>	<b>551,415</b>	<b>-</b>
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4309-DR-WA	-	379,250	379,250	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW#220	131,627	-	131,627	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW#216	400,705	-	400,705	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-4056	-	3,230	3,230	-	5

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<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>CFDA Number</b>	<b>Other Award Number</b>	<b>Expenditures</b>			<b>Passed through to Subrecipients</b>	<b>Note</b>
				<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4309 PW-156	87,042	-	87,042	-	5
				<b>Total CFDA 97.036:</b>	<b>619,373</b>	<b>382,480</b>	<b>1,001,853</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	FEMA DR-4243 -12-R	349,939	-	349,939	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	DR-4243-12-R	-	326	326	-	5
				<b>Total CFDA 97.039:</b>	<b>349,939</b>	<b>326</b>	<b>350,265</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMS-2017-EP-00004-S01	242,872	-	242,872	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMS-2018-EP-00004-S01	156,027	-	156,027	-	5
				<b>Total CFDA 97.042:</b>	<b>398,899</b>	<b>-</b>	<b>398,899</b>	

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**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2015-PU-00230	-	730,849	730,849	27,800	5 & 8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00063	-	837,222	837,222	7,997	5 & 8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2016-PU-00029	-	769,268	769,268	4,640	5 & 8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2016-PU-00223-S01	-	4,751	4,751	-	5
<b>Total CFDA 97.056:</b>				<b>-</b>	<b>2,342,090</b>	<b>2,342,090</b>	<b>40,437</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2017-SS-00101-S01	274,412	-	274,412	168,696	5 & 8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2017-SS-00101-S01	136,761	-	136,761	75,350	5 & 8
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	116,503	-	116,503	-	5

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<b>Federal Agency (Pass-Through Agency)</b>	<b>Federal Program</b>	<b>Expenditures</b>					
		<b>CFDA Number</b>	<b>Other Award Number</b>	<b>From Pass- Through Awards</b>	<b>From Direct Awards</b>	<b>Total</b>	<b>Passed through to Subrecipients</b>
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	185,047	-	185,047	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	872,528	-	872,528	52,531
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2017-SS-00101-S01	176,186	-	176,186	37,320
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2014-SS-00016-S01	-	-	-	17,032
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Grant Program	97.067	FFY11-SHSP-LE-003	-	-	-	4,675
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	80,118	-	80,118	3,658
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	-	-	-	2,643

*The accompanying notes are an integral part of this schedule.*

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2017-SS-00101-S01	63,108	-	63,108	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	4,186	-	4,186	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Grant Program	97.067	N/A	-	21,373	21,373	-	5
<b>Total CFDA 97.067:</b>				<b>1,908,849</b>	<b>21,373</b>	<b>1,930,222</b>	<b>361,906</b>	
OFFICE OF HEALTH AFFAIRS, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Biowatch Program	97.091	2011-OH-091-00000028	-	556,706	556,706	-	-
OFFICE OF HEALTH AFFAIRS, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Biowatch Program	97.091	11OHBIO00024-02-00	-	581,276	581,276	-	-
<b>Total CFDA 97.091:</b>				<b>-</b>	<b>1,137,982</b>	<b>1,137,982</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Financial Assistance for Countering Violent Extremism	97.132	EMW-2016-CA-00236-S01	-	187,546	187,546	-	5
<b>Total Federal Awards Expended:</b>				<b>48,078,205</b>	<b>36,725,491</b>	<b>84,803,694</b>	<b>35,123,104</b>	

The accompanying notes are an integral part of this schedule.

**CITY OF SEATTLE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2018**

**NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. Expenditures represent only the federally funded portions of the program. The City uses the modified accrual basis in its governmental funds and the full accrual basis of accounting in its proprietary funds.

**NOTE 2 - PROGRAM COST**

The amounts shown as expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion may be more than shown.

**NOTE 3 – SECTION 108 LOANS**

The City participates in HUD's Section 108 Loan Guarantee Program (Section 108). As of December 31, 2018, the outstanding loans due to HUD totaled \$9 million. A summary of projects with outstanding loan balances is as follows:

Project	Outstanding Loan	
	Balance as of	
	December 31, 2018	
Lewiston Hotel	\$	495,000.00
Thornton Creek		1,538,000.00
Bush Hotel		1,153,000.00
Lake Dell		718,000.00
Claremont Apartments		1,787,000.00
INSCAPE		2,521,000.00
12th Avenue Arts		794,000.00
	\$	<u>9,006,000.00</u>

These loans are not considered to have continuing compliance requirements under 2 CFR §200.502(b) of the Uniform Guidance, and therefore, are only reported on the SEFA in the year in which funds are expended and drawn.

The City did not establish any new loans neither in 2018 nor in 2017.

**NOTE 4 – EPA CLEAN WATER STATE REVOLVING FUND (CFDA 66.458)**

The City receives Federal revolving grant funds from the U.S. Environmental Protection Agency (EPA) Office of Water. These funds are passed to the City through the Washington State Department of Ecology as loans under CFDA 66.458, Capitalization Grants for Clean Water State Revolving Fund. The EPA has stated in the Compliance Supplement that these loans are not considered to have continuing compliance requirements, and that the amount of Federal funds expended to be reported on the Schedule of Expenditures of Federal Awards (SEFA) should include project expenditures incurred under these loans during the audit period.

As of May 29, 2019, the 2019 grant agreement with the Washington State Department of Ecology (Award ID WQC-2019-SeaPUD-00050) is pending signatures. The \$12.1 million reported on the 2018 SEFA, represents projected reimbursable grant expenditures incurred under this award between years 2016 and 2018. Below is the summary of these expenditures by year. Requests for reimbursements will be submitted upon contract execution and the amounts listed below may change.

Reporting Year	Projected Expenditures
2016	\$3,178,229.21
2017	2,729,404.98
2018	6,150,946.22
	<u>\$12,058,580.41</u>

**NOTE 5 - GRANTS FROM FEMA, DEPARTMENT OF HOMELAND SECURITY**

The City reports these funds on the SEFA when grant proceeds were received rather than when expenditures were incurred due to the nature of project acceptance and reimbursement from the federal agency.

**NOTE 6 – NONCASH AWARDS – FOOD VOUCHERS**

The amount reported for the USDA Senior Farmers Market Nutrition Program includes \$51,360 allocated for food vouchers provided through the Washington Department of Social and Health Services. Distribution of vouchers is overseen by the City's Aging and Disability Services (ADS) Division of the Human Services Department.

**NOTE 7 – INDIRECT COST RATE**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 8 – EQUIPMENT AND SUPPLIES PASSED THROUGH TO SUBRECIPIENTS**

The City purchases and transfers supplies and equipment to the subrecipients. These purchases are reported as grant expenditures on the SEFA the year they occur and are reported in the "Passed Through to Subrecipients" column the year the assets are transferred to subrecipients.

**NOTE 9 – PRIOR YEAR EXPENDITURES INCLUDED IN SEFA**

The SEFA includes \$191,467.93 in federal grant expenditures that were incurred in the prior year. The \$123,752.97 relates to the Highway Planning and Construction Program (CFDA# 20.205) and became eligible for reimbursement in 2018, after the administrative review by Washington State Department of Transportation (WSDOT). The remaining \$67,714.96, reported under the National Institute of Justice Research, Evaluation, and Development Project Grants Program (CFDA# 16.560), was erroneously omitted from the 2017 SEFA.

**NOTE 10 – ADJUSTMENTS TO EXPENDITURES INCLUDED IN THE PRIOR YEAR SEFA**

Negative amounts reported in the SEFA represent adjustments or credits made in the normal course of business to amounts reported as federal expenditures in prior year.



## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Seattle**  
**January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2018-001	<b>Finding caption:</b> The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting of cash and investments.
<b>Name, address, and telephone of City contact person:</b> Teri Allen (206) 684-5226	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>In 2019 the City completes monthly cash reconciliations on a timely basis and continues to look for opportunities to create efficiencies in reconciliation and improvements in presentation along with mastery of the processes by City Finance Division staff. In addition, the City will complete comprehensive cash reconciliations in a manner consistent to what SAO staff recommend. Finally, the City agrees with the recommendation to create a formal policy for the establishment and reconciliation of all bank accounts.</i>	
<b>Anticipated date to complete the corrective action:</b> Third Quarter 2019	

<b>Finding ref number:</b> 2018-002	<b>Finding caption:</b> The City's internal controls over financial statement preparation were not adequate to ensure accurate and timely financial reporting.
<b>Name, address, and telephone of City contact person:</b> Kenneth Knopp, (206) 233-7825	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City has placed more emphasis on the closing schedule and will be holding firmer to scheduled dates, thereby achieving a more-timely cutoff for year end. Citywide Accounting</i>	

*(CWA) will build an intra-period fund review process to be performed by the principal accountants that should detect errors in the financial data earlier and will allow for correction of errors before the year end cycle. CWA management will be working with the SAO to develop and produce prepared by client (“PBC”) schedules that will facilitate a smoother year end audit and review. In addition, CWA will work with departments to streamline and teach standard accounting practices and procedures and provide a checklist of routine control activities, such as requiring a reconciliation of AM to the GL for each department’s assets before year end.*

**Anticipated date to complete the corrective action:** Ongoing, with sufficient progress by June 30, 2020

<b>Finding ref number:</b> 2018-003	<b>Finding caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements.
<b>Name, address, and telephone of City contact person:</b> Dan Burton (206) 256-5415	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>HOME funded section 3 hires were erroneously reported under CDBG expenditures, resulting in no jobs being reported under the HOME program. On discovery, HUD was contacted, the reports were deleted and refiled correctly. This finding has been corrected. HSD has adjusted its procedures to explicitly identify the funding source of each project and each section 3 job in its tracking materials.</i>	
<b>Anticipated date to complete the corrective action:</b> Corrected	

<b>Finding ref number:</b> 2018-004	<b>Finding caption:</b> The City did not have adequate internal controls to ensure compliance with federal cost principle requirements.
<b>Name, address, and telephone of City contact person:</b> Dan Burton (206) 256-5415	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>We acknowledge that this is an issue and have determined that it is specific to the one department identified. Work has begun to implement a timesheet system to track actual effort against each grant activity and should be fully operational and compliant with the requirements of 2 CFR 200.430 in 2020.</i>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2019	

<b>Finding ref number:</b> 2018-005	<b>Finding caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal program income requirements.
<b>Name, address, and telephone of City contact person:</b> Rebecca Guerra (206) 233-0066	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>We acknowledge the miscoding of \$95, \$148, and \$775 of HOME program income. These were due to clerical errors. We will explore ways to add another layer of coding review to prevent similar errors in the future. Regarding the WSHFC checks, we have identified the need to train all OH staff in financial procedures – particularly those who handle checks but are outside of the OH Finance unit, as in this case – to ensure consistent adherence to grant and City policies.</i>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2019	

<b>Finding ref number:</b> 2018-006	<b>Finding caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal period of performance requirements.
<b>Name, address, and telephone of City contact person:</b> Dan Burton (206) 256-5415	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>This issue relates to pre-award spending (2 CFR 200.458) and Notice CPD-18-01, which details the requirements for implementing 2 CFR 200.458 for the 2018 grant. Pre-award costs are necessary because the Federal Government has been unable to appropriate HOME funds in a timely manner. CPD-18-01 issued a waiver of HOME regulations (specifically 24 CFR 92.212(b)) to allow for pre-award costs because of delayed enactment of FY 2018 appropriations. While the need for this waiver was clear, that need was not explicitly documented per the requirements of CPD-18-01. HSD's Federal Grants Management team will put in place a process to ensure that all waiver requirements for pre-award spending are compliant with HUD's requirements, should the Federal government continue to experience delay in appropriating funds.</i>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2019	

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

### Contact information for the State Auditor's Office

<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>